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EDITORIAL

As We See It

"President's Cutbacks Worry Republicans." "Opposition Comes From Two Parties Over Cutbacks." "Benson Is Accused . . ." "Benson Said to Be Trying to Eliminate Farmer Rather Than Help Him." "Relief Programs Face Stern Tests." These are some of the headlines which greeted the efforts of the Administration to effect reductions in other parts of the Federal budget in order to provide funds for the furtherance of defense. It was, of course, to be expected that such proposals as the President has made for this purpose should frighten professional politicians who have learned to seek preferment by handing out the taxpayers' money right and left. This year is an election year for all members of the House and for a substantial number of Senators. They, or most of them, are afraid to face the electorate this Autumn with a record of actions inimical to vested interests, and that is that.

Whether the President can find ways and means effectively to stiffen the backbones of some of these legislators only the future will have to disclose. If he can, and if he can see to it that those who oppose him suffer at the polls as a consequence, he will have rendered a service to the country fully comparable to that he rendered in defeating Nazism in 1945. The proposals of the Administration do not go very far in reducing the burdens that the New Deal and the Fair Deal fastened upon the backs of the American people. On the contrary, they are exceedingly modest.

Nonetheless these programs, moderate as they are, could represent a turning point for the Republican party and for the country. It is the first time that any official or party in place of

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Business and Finance Speaks After Turn of the Year

ANNUAL REVIEW FORECASTS: PART II

For various reasons, a large number of the 1958 business and economic forecasts especially written for the "CHRONICLE" could not be accommodated in Part 1, of our ANNUAL REVIEW AND OUTLOOK ISSUE of Jan. 16. All of these outlook statements, of course, reflect the individual opinions of government officials and of the country's leading industrialists, bankers and financiers on the probable trend of economic activity for specific industries and business in general. The remaining unpublished commentaries received by the "CHRONICLE" are given in today's issue starting herewith:

HON. VICTOR R. HANSEN

Assistant Attorney General, Department of Justice

The American businessman has a very vital stake in the antitrust laws. These protect his liberty and his freedom to act like a businessman—they seek to keep him free from artificial restrictions imposed by group pressure and monopoly power—free from State regulation and control. While inflationary tendencies cannot, of course, be stemmed by even the most diligent and effective antitrust law enforcement, I am convinced that vigorous enforcement of the antitrust laws constitutes an important weapon in our fight against inflation. One important area with which I am concerned is that which affects the cost of living. Price-fixing of items important in the consumer's budget will be a major target of a hard-hitting law enforcement program for 1958.

Victor R. Hansen

In the past year 56 antitrust cases were filed. This is a significant increase over the 46 filed the previous year. A large number of these cases were aimed at conspiracies to fix prices of commodities vital to every household budget. Bread, milk, drugs, household appliances, hardware, housewares,

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Financing Your Company

By ANDREW N. OVERBY*

Vice-President, The First Boston Corporation

Formerly Assistant Secretary of the Treasury

Investment banker discusses some of the general considerations and factors involved in financing a middle-sized company's growth and future. Mr. Overby: (1) finds probable future capital demands are formidably large, and one of our great problems is creating savings for further growth; (2) surveys various sources of capital and notes shift to institutionalized savings and investment; (3) reviews varied role of investment banking and financing methods, and criticizes lease rentals, attaching warrants to debt securities and bizarre capitalization; and (4) urges revised tax system, and other policies to permit our growth and strengthening of our country.

At the outset I should make clear that I intend to deal principally with the future financing problems of what might be called medium-sized industrial companies. While many of the points I have in mind have equal relevance to the problems of so-called small business and of the larger companies, and to public utility and other fields, my intent is to address myself more particularly to the medium-sized industrial company which hopes to become larger. It is true, of course, that almost all businesses were once small, and that many present "small businesses" expect to become medium-sized and large. The very small business, however, usually relies for its financing on its owners and individual friends and relatives, its local commercial bank, sometimes on special development corporations created to help small business, or on the U. S. Government's Small Business Administration. The larger corporations, on the other hand, have already raised significant amounts of capital in the public markets and have had long experience in the problems of raising

Andrew N. Overby

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*An address by Mr. Overby before the 3rd Annual Industrial Economics Conference sponsored by Stanford Research Institute, Los Angeles, Calif., Jan. 13, 1958.

SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 68.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

WILLIAM L. DEWART
Analyst, John Muir & Co.
New York City
Members New York Stock Exchange and American Stock Exchange

Electronic Associates, Inc.

One very bright star among the brilliant satellites in the glowing and growing electronic field has been and is Electronic Associates Inc. traded in the Over-the-Counter market.

William L. Dewart

Since 1945 this leading manufacturer of general purpose analog computers and data converting and recording instruments and also the New Digital Line Plotter is finding new and expanding markets (Government and commercial) in the field of missiles, space vehicles, oil, chemical, utility, steel, road building, charting and statistical fields.

E. A. I's list of customers reads like a "Purple Chip" list of "Whose Who" in American Industry. The list includes IBM, RCA, General Motors, General Electric, Westinghouse, Ford, Esso Standard, Federal Reserve Banks as well as all the leading aircraft manufacturers, as well as concerns in Sweden, France and Germany.

Since 1949 sales shipments (completed contracts) have jumped from ½ million to 9 million in 1956. 1957 results will be even higher, probably 12½ million. Hence the company should earn in the vicinity of $1 million or about $2 per share on the new number outstanding.

Dividends have been paid regularly since 1951, stock or cash or both. Prior to 1951 earnings were ploughed back with the result that the company has a fine plant and warehouse at Long Branch, N. J. and a new modern manufacturing building at West Long Branch, N. J., which will be ready for occupancy on April 1, 1958. Computation centers are at Princeton, N. J., and Los Angeles, Calif. and Brussels, Belgium. The last insuring a growing position in the important European market.

There are only 582,567 shares outstanding.

A 25 cent cash dividend was paid in 1956. This is after a 100% stock dividend in 1955 and another 100% stock dividend in 1957 plus a 5% stock dividend in 1955 and 1956 but before a 5% stock dividend in 1957.

Long-term debt amounting to $4,660,000 includes $1,450,000 of 5% debentures due in 1971 which are convertible into common stock at 24 through July 1, 1959.

Cash position is very good, $535,706.60 as of Oct. 31, 1957.

As of the same period assets ratio to liabilities is 5 to 3 or $10,667,993.38 to $6,153,616.76.

Backlog of unfilled orders is $5,665,703 as of Oct. 31, 1957. In the next seven months this figure will undoubtedly be upped considerably due to the emphasis on satellites, space vehicles, and road building. This last a new and profitable field for data recorders.

From its inception in 1945 until 1952 EAI produced special purpose analog computers and plotting equipment almost exclusively for the Government's missile program.

In 1952 it introduced its first general purpose analog computer and its business has grown to such an extent that it now accounts for 70% of total sales and 65% of the national market in this equipment. Primarily reflecting the enthusiastic reception for EAI's analog computers, the company's earnings have jumped from $69,000 in 1951 to $930,000 in 1956. In 1957 they are likely to be more than sixteen-fold higher than in 1951.

Breakdown of Sales

General Purpose Computers:	
Sold to the Government	8%
Sold to private companies for use in whole or part in defense work	50
For other engineering and industrial applications	12
Total	70%
Plotting Equipment	23
Special Purpose Equipment	7
	100%

While to date the major market for analog computers has been in the field of engineering, design and testing, which still holds great promise for future growth, their greatest potential over the long run may possibly be in the field of *process control.*

While the threat of greater competition may exist, the fact is that it has not been manifest significantly to date, and management has compelling reasons for believing that it will not pose an important threat in the future.

EAI spends an aggregate of $2 million a year on research for both the Government and commercial customers. Last year the company increased its staff of professional engineers by 25%. This year by 75% including a staff of senior engineers from Air Associates.

EAI is headed by a group of top former Signal Corps radar technicians and under aggressive management its personnel has risen from 180 at the beginning of 1952 to 833 at the end of 1956.

The present price of the common stock is about $39 per share.

EVERETT J. MANN
Associate Professor of Business Administration
Emory University, Atlanta, Ga.

Beaunit Mills, Inc.

With the stock market currently reeling like a punchdrunk fighter, with the business outlook ebbing like the tides around Mont St. Michel, and with corporate reports reading like **The Sorrows of Werther**, it is a hardy individual indeed who will pick any "security he likes best." Any investor in today's markets will need the patience of Job, the clairvoyance of Nostradamus, the indifference to defeat of the Washington Senators, and the courage of Dick Tracy stalking a criminal before he can expect his purchases to work out on the plus side.

Dr. Everett J. Mann

In the midst of this Schopenhauerian gloom, it would appear that profits are more readily available on the short side unless situations can be found where the bottom is already so close to zero that there is no room for a bear operative to edge in under an already flattened price. The textile industry, for 40 years the problem child of U. S. industry fits the latter description perfectly, and one quavering voice is hereby raised in favor of the common stock of Beaunit Mills. This is a company beset by all the evils of a shaky economy as well as by troublesome problems within its own industry.

Let's begin by looking at the unfavorable factors: First, Japanese competition is well known, but the Japanese have volunteered to police their exports. Secondly, Beaunit is heavily in rayon tire cord, and this fabric has been losing out to nylon in recent years so that only 70% of the rayon tire cord industries capacity can be absorbed by tire makers. Third, rayon cloth has had severe competition in the clothing field from other synthetic fibers that have burgeoned like the green bay tree.

Fortunately, Beaunit has foreseen the decline in the use of rayon tire cord and has been moving to counter this trend by switching some of its idle plant capacity into rayon tow yarn, which is used in making sportswear fabrics and can be loomed on the same machinery as used to make tire yarn. Tow production has been expanded five million pounds in the company's Tennessee plant and by January will be increased another five million in the Alabama plant. These additions will absorb about half of the capacity idled by tire yarn cutbacks. In the process of testing is a new high-tenacity rayon staple fiber which can be spun into fine yarn and may contribute substantially to future earnings.

For the first six months of its present fiscal year which ends next March 31, 1958, Beaunit's profits are 88 cents a share as against $1.60 last year. The decrease has been brought about by higher labor and material costs, plus a month long strike at the company's Alabama mills. Profits for the year ended March 31, 1958, will be below the $3.00 earned in the preceding fiscal year. However, the $1.50 dividend providing a return of 13% at present prices, is in little danger of impairment, according to management. Capital expenditures will be down next year and will amount to less than depreciation charges of $6 million so that new facilities will necessitate no cash drain. A handsome book value of $30 attaches to each of the company's 1,965,000 common shares which are preceded by $20 million of 4¼% debentures due in 1976 and 51,583 shares of $5 cumulative preferred stock.

After allowing for a 20% stock dividend paid in 1956, the company's five-year average earnings have been $2.25. If one now takes the view that things are so bad they can get no worse and is further willing to go along with the Baruch advice to "never follow the crowd," Beaunit should not only have handsome capital appreciation potentialities but should provide excellent income for the patient investor waiting for better times. Beaunit is listed on the New York Stock Exchange.

This Week's Forum Participants and Their Selections

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Beaunit Mills, Inc. — Everett J. Mann, Assistant Professor of Business Administration, Emory University, Atlanta, Ga. (Page 2)

The Outlook for Business And the Stock Market in 1958

By WALTER MAYNARD*
Senior Partner, Shearson, Hammill & Co.
Members New York Stock Exchange

Market economist, weighing the threats to our economic health, concludes neither mounting debt, labor power, nor taxation constitute insuperable barriers to progress. As important elements of strength, Mr. Maynard cites our government's stability, progress in invention, our rate of systematic savings, population growth, and increasing international responsibilities. Predicts low point in business activity won't be reached before third quarter. In the stock market, expects dividend payers will be stable; with cyclical and lower-grade issues continuing their registration of "new lows." Favors companies in housing, electronics, electrical equipment, and housing materials.

When security markets are high—perched on a pinnacle, so to speak—they are readily upset by any kind of adverse news, whether the news concerns small events, such as reduced earnings, cancellation of orders, layoffs of workers and the like, or great events. Now that the stock market has fallen swiftly and dramatically to a level which seems adequately to reflect a considerable amount of adversity, the task of forecasting the outlook for business and the stock market requires an examination of events on a large scale to ascertain whether or not the new level of prices that has been established fairly takes into account the risks in the present situation.

Walter Maynard

Obviously, the greatest question of all concerning which we must form a judgment, is the issue of war and peace. This is because capitalism can only be really sound under relatively peaceful conditions; the stockholder stands uneasily at the apex of the capitalist pyramid and only when capitalism is rock-steady in its fundamentals can we expect to have generous price-earnings ratios in the stock market such as those of recent years.

Historically, the world has only enjoyed extended peaceful eras when the great powers have been grouped in such a manner as to provide an approximate power balance, militarily and economically. When the balance has been radically upset by such events as the disappearance of whole countries, as in the case of Napoleon's destruction of the Prussian and Austrian states, the development of a crushing military ascendancy, such as the Germans had developed by 1914, or the diminution of the strength of France as a result of internal problems in the late 30's, then wars begin which only come to an end when a new balance is established.

The Threat to Peace

The uneasy peace which we have enjoyed in the last twelve years, interrupted only by the brief power-test of the Korean War, has been the result of an approximate balance of power between ourselves and the Russians. The launching of the sputniks warns of a possible change in this uneasy balance of power, and therefore is now being quite properly viewed in this country as the gravest kind of threat to the world's peace.

As a consequence, if we are to make a reasoned forecast concerning the future of the stock market, we must make an assumption concerning this fundamental issue. *It seems logical for us to assume that as a nation we will rise successfully to this new challenge, as we have to all others in this century.* Both political parties are agreed on the urgency of the matter, and effective action seems only a matter of time.

Another major question which we must resolve is that of the overall health of our economy. In recent years we have seen the gradual economic deterioration of a great country—France—and many of the economic and social forces which have led to this deterioration are visible here. For example, much of our progress in recent years has been financed by an increase in debt at every level of the economy, private and public, and an increase in the debt ceiling of the federal government now seems imperative. Debt financed prosperity is not conducive to confidence or to high price-earnings ratios.

Labor-Impelled Inflation

Secondly, a relatively small favored group in our economy—organized labor—has gained a clear economic and political ascendancy over the rest of our productive population, which has resulted in an endemic inflation—and inflationary times spell diminished corporate dividend-paying ability and therefore price-earnings ratios in the stock market lower than they would be in a non-inflationary situation.

Thirdly, the most important segment of our federal tax structure is inappropriate for a growing capitalist economy. A highly

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*A talk by Mr. Maynard before the New York Society of Security Analysts, New York City, Jan. 14, 1958.

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Articles and News

BALANCE OF CONTRIBUTORS TO "Business and Finance Speaks After the Turn of the Year"

For various reasons, many of the 1958 business forecasts especially written for the "Chronicle" could not be accommodated in Part I of the Annual Review and Outlook Issue of Jan. 16. These appear in today's issue starting on the cover page.

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*Column not available this week.

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1958's Prosperous Recession

By GORDON W. McKINLEY*
Director of Economic and Investment Research
Prudential Insurance Company of America

In response to the question what is going to happen to business and sales in 1958, Prudential's top economist answers "total spending will increase $13 billion above the 1957 figure." Dr. McKinley willingly admits this does not spell boom and that the final figure may be different than the one given, but is unwilling to concede there will be a decline in total spending. Confident about consumer spending, even for durable goods, the Economist expects: Federal-State-local spending to more than offset decline in business capital expenditures, inventory correction to be completed by March, and housing outlays to turn upwards.

The word "recession" is unfortunately one of those weasel words which slip around without ever acquiring any very clear meaning. Although no one knows exactly what the word means it nevertheless carries with it a rather ominous sound, more or less implying that the economy is on its last legs and that very serious things are ahead. If the word recession means a major business setback, then I would say unqualifiedly that we are not in a recession.


Gordon W. McKinley

On the other hand, everyone knows that some sort of adjustment is now underway. The Federal Reserve Board index of industrial production — which measures the physical output of our factories and mines—reached a peak over a year ago and declined all through 1957. In more recent months, unemployment has climbed, and personal income has shown some drop. Although figures have not yet been released for gross national product in the fourth quarter of 1957, it is probable that when they are published they will show a small decline. The facts are, therefore, that unemployment is up, personal income is down slightly, and total output — whether measured in physical terms or in value terms —has receded from earlier record levels.

*From a talk by Dr. McKinley before the 19th New England Sales Management Conference sponsored by Boston Sales Executive Club and Greater Boston Chamber of Commerce, Boston, January 10, 1958.

Cause of Dip

The second question is a more important one: What has caused the current business adjustment? Why has business activity headed downward, when only a few months ago we were concerned about how to contain the boom and halt inflation?

The present downturn stems from a decline, or a change, in three main types of spending. *First*, business spending on plant and equipment has reached a peak and is now dropping fairly sharply. During 1955 and 1956 a good part of the upward drive in the economy was imparted by the steadily accelerating capital boom. There seemed no end to business plans for new factories, office buildings, shopping centers, machinery, and other capital equipment. During 1957, however, excess capacity began to appear in many lines and there was an accompanying slowing in the growth of business expenditures on plant and equipment. Finally, within the last month, this type of spending has actually turned downward, and it is expected to decline by about 6% during 1958.

The *second* cause of the current business dip has been the pronounced cutback in government defense spending which occurred during the last few months of 1957. During the first nine months of 1957, the rate of defense spending had run substantially in excess of the budget estimate. This high rate of spending had drawn strong protests from Congress, which in those pre-Sputnik days was in an exceptionally economy-minded mood. In an effort to stay within the budget, the Administration set in motion severe cutbacks in defense orders, and even established a system of delays in government payments to private contractors. The effect of these cutbacks soon became apparent in areas of the country with heavy defense production, and there was of course a spreading effect throughout the whole economy. The annual rate of defense spending dropped as much as $1 billion during the last half of 1957, and this inevitably had a depressing effect on the whole economy.

Although cuts in government defense spending and in business capital expenditures have been important contributors to the current general business adjustment, I do not believe that these two factors have constituted the *basic* cause of the dip. To really understand what is happening now, we must go all the way back to the beginning of 1956, when a very important change occurred in the pattern of consumer spending. You will remember that the year 1955 was a boom year, with consumer demand for durable goods being particularly strong. The automobile industry sold over seven million cars in that year, and sales of household goods and other large consumer items reached very high levels. Early in 1956, however, consumers suddenly lost interest in durables. They did not by any means stop spending; their purchases of non-durables continued to rise. But durable goods buying leveled off with dramatic suddenness. What happened in early 1956 was therefore a pronounced shift in the *direction* of consumer spending, away from durable goods and toward non-durable goods and services.

If this shift had been short-lived it would soon have been absorbed. But the new direction, or distribution, of consumer spending continued all during 1956 and all during 1957. Late in 1957 consumers were spending about $20 billion more on non-durables than at the beginning of 1956; their expenditures on durables, however, showed no increase at all during these two years.

Now, a shift in the direction of consumer spending as pronounced as that which I have described is very difficult for the economy to absorb in stride. Our productive plant and our labor force is built up in response to the usual, or normal, pattern of consumer demand, and when consumer buying in one whole segment of the economy declines, we are bound to see plants operating at less than full capacity with an accompanying rise in unemployment. This is so because capital equipment, and even labor, cannot be shifted immediately to accommodate a change in consumer wishes, and the time lag is likely to involve a widening circle of pessimism and declining incomes.

The present business adjustment has therefore stemmed from changes in three different kinds of spending: *First*, the shift in consumer spending away from durable goods; *second*, the sharp cutback in defense expenditures; and *third*, the current decline in business expenditures on plant and equipment. Now that we have analyzed the causes of the business dip, we are in a position to look ahead and ask how long the decline will last, when the recovery will begin, and what sort of a year this is going to be when the final figures are in.

In a free enterprise system like our own, the level of business activity depends upon the level of spending. We produce for a market, and if the market is not there in terms of dollar demand, then production inevitably declines.

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Observations . . .

By A. WILFRED MAY

The Outlook in Proper Perspective

Forecasting by the calendar year, however convenient and tempting, is grossly illogical; particularly where it involves the stock market. There is no economic reason for the soothsaying fraternity's January-December terminal points. The brevity of a one-year interval eliminates reliability of the forecast in the business and, even more particularly, in the stock market areas. And for the investor, postponement of one's assumptions over a five-year forward interval, to the early nineteen-sixties, offers a practical ready solution.


A. Wilfred May

The divergence of the current guesses about the course of the economy and business during 1958, with the paucity of concrete factual support, confirms the unreliability of short-term prediction—which is further accentuated by the need to infer a correlation between economic eventualities and the stock market's fluctuations.

The current forecasters generally diverge into these schools of thought. One, a minority view, holds that we are nearly through a mere baby recession of the 1948-'49 and 1953-'54 version—with the appropriate supporting economic arguments. A second group, with equally convincing economic reasoning, is sure that business will continue its decline until well after mid-year; with a recovery to bless us in the autumn. Another category opines that the economy is entering a new lower plateau, with recovery to be delayed until after 1959. Fourth is the smallest minority's view, that we are going into a real severe overdue postwar depression, with stagnation and a doubling of unemployment.

Agreement on the 'Sixties

We have no way of making a choice between these views, debated endlessly in private and public forum. No matter! The crucial fact is, fortunately, that practically every one of these categories of soothsayer is convinced of the further major expansion of the economy by the 1960's.

The President's expectation in his Economic Report that the market for goods and services will continue doubling every 25 years, may turn out an exaggeration, with or without accompanying population growth. Likewise inflated may be Mr. Eisenhower's expectation that "to keep pace with expanding requirements, state and local outlays must continue rising at some such rate as the $3 billion a year."

And perhaps over-optimistic are the following ten-year estimates of some major yardsticks of economic activity, offered in the framework of the progress over the past ten years. They are based on projections made by the President's Council of Economic Advisers in 1956 or extrapolations made by David L. Babson and Company, Inc., Investment Counsel of Boston.

	Ten Years Ago	Year 1956	Current Rate	Ten Years From Now
Gross Nat'l Product____($ billions)	232	415	439	600
Disposable income_____($ billions)	169	287	303	425
Government spending ($ billions)	29	80	87	100
Capital expenditures, new plant	21	37	37	60
Industrial product'n (FRB Index)	100	143	136	215
Electric pwr. prod. (billion kwh.)	225	600	617	1,000
Housing starts________(thousands)	849	1,118	1,075	1,600-1,800
Net corporate profits__($ billions)	18	21	20	32-35

However unprecise these 10-year projections may turn out to be, certainly the most probable justified expectation is that military spending, foreign aid, high rate of invention and research, and the broader distribution of personal income, should reasonably assure at least an approach thereto.

Surely it must be agreed that such long-term economic projections embody some degree of probability; in contrast to the confusion and unfathomability of one-year forecasts. Then there can be no question concerning the true investor's logical course. Digging in now in issues selling without premiums (and perhaps even at discounts) on currently-geared values, he has far more to gain than lose over a five-to-ten-year holding. (Apart from capital appreciation, the yield on even the Dow Jones Average issues should rise to 7-10% on present cost, following the above-stated projections.

At least that is the very best the logical investor can do for himself

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Unfavorable trade reports and growing unemployment throughout the nation continued the past week, but notwithstanding the decline in the general economic situation, important segments of business and industry are optimistic that an upturn will be forthcoming in the months ahead.

This current feeling that better days are in the offing for business and industry flows principally from increased military spending on the part of the Defense Department of the Government with more to follow, along with the action taken recently by the Federal Reserve Board to ease its tight money policy.

President Eisenhower this week in his annual Economic Report to Congress recognized the fact that a decline in business has set in, by pointing out that the falling off in business so far has been "moderate."

Touching upon the longer perspective on our economic prospects, the report stated that "there are good grounds for confidence not only that economic growth can be resumed without prolonged delay, but also that a vigorous expansion of our economy can be sustained over the years."

Some major steel users are scraping the bottom of the barrel on their steel inventories this week and are forcing mills to play leap-frog with their orders, "The Iron Age," national metalworking weekly, reported on Wednesday of this week.

The steel mills are confronted with a situation where some major steel users are demanding immediate shipment of steel that had been scheduled for later delivery and generally shifting orders ahead or back to fit their own day-to-day production schedules. Some of these rush orders are for tonnages that could better be handled by warehouses. Shifting has reached the point in many cases where it is excessive for the small tonnage involved, but salesmen are pressuring production departments to shift and re-shift. The result is that schedules are getting hectic and uneconomical in some mills and each week the number of consumers working directly from freight cars or trucks is growing, this trade weekly observes.

Demands on producers are so severe that a mill can lose orders of a thousand tons or more for as little as a single day's difference in delivery promises. Despite this, the steel sales fraternity sees a faint ray of hope this week. This is unusual in a group that has been pessimistic for months. Signs are not strong enough to predict a general upswing at this time, but it is merely an indication that the low point may have been reached.

Reasons cited for optimism are that the automotive industry has been buying very close to the vest, since needs are usually greater in the spring; the seasonal construction pickup is in sight; roadbuilding will be a bigger factor than last year and defense spending will have an effect, if only psychological, continues this metalworking weekly.

The severe drop in steel demand has intensified competition within the industry. This has resulted in these recent marketing developments as mills scramble for available business. Top steel executives are now taking a personal hand in sales, attempting to gain a greater percentage of individual consumers steel requirements for their mills and the mills are reaching far out of their normal market areas to pick up possible orders. This means absorbing freight and possibly offering concessions on extras, resulting in a lowering of profit margins for the mills.

Leap-frogging of orders has confused the market picture, which can change overnight. Less than six days ago, February appeared to be shaping up as one of the worst months in years. But some shifting of March orders into February gives the month a somewhat better appearance this week, "The Iron Age" concludes.

Unemployment rose nearly 3,400,000 at mid-December, up nearly 200,000 from the month before, a joint report of the United

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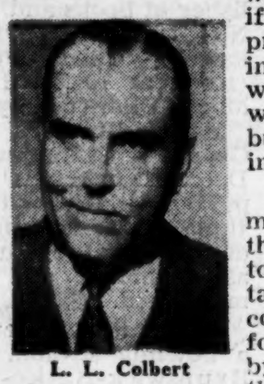
Present Challenge to Business

By L. L. COLBERT*
President, Chrysler Corporation

Chrysler head, recipient of Poor Richard Club's Gold Medal Award, states our economy is strong enough to meet simultaneously both defense and standard of living requirements. The automotive chief executive depicts exceptional demands falling heaviest upon business and mentions three areas of activity for business in meeting this responsibility: (1) new product research and development; (2) investment expansion, and (3) creative merchandising to expand markets. Sees expanding economy broadening income base and permitting increased tax revenue without higher tax rates. Forecasts 1965 passenger car sales at about 7 to 8 million a year, and even more if suburban and multiple car families continue to increase.

The events of the last three months have blasted just about every trace of complacency out of the minds of the American people. And that's all to the good. To the extent that we felt comfortably out of the reach of danger and beyond the need re-evaluating our national aims, it is mighty healthy for us to get the kind of disturbing challenge we are experiencing. At the same time, in our present mood we could go too far in the other direction and begin to exaggerate our problems and our shortcomings, all out of proportion to the facts. Maybe the greatest danger we face right now is letting ourselves get panicked into programs and policies that would do more harm than good. There certainly is no shortage of political and economic doctors who are sure they know just what is wrong with the country. Let's hope we don't get too easily sold on prescriptions that might cure some symptoms but weaken the patient.


L. L. Colbert

This is another of those times that try men's souls. In such periods maybe we should look at our problems with the same kind of common sense that our ancestors, in previous periods of national danger, looked at theirs. If Franklin were alive today, I think he might look over the situation calmly—as he did in 1776—and put things in a somewhat more encouraging perspective than we have been getting lately. Isn't it possible, for example, that he might be just a little less alarmed than some of us have been about what the Russians have been up to? With his enthusiasm for science and its application, he would be deeply impressed by the earth satellites. And he would also face realistically the threat they represent to the security of our country. But wouldn't he also put his emphasis on the positive value of the challenge that has been laid down? And wouldn't he say that the lesson to be learned is to put our faith in our own great strength and then get down to work—with each one of us doing more, working harder, shooting for results that are better than our best to date?

Maybe, as sometimes happens in business, we as a nation have underrated our competition. But it is also true that we have added to our strength year after year and decade after decade. We have it within our power to meet any challenge to that strength. And we'll do it by placing our primary reliance on the dynamics of freedom, just as we have done in the past.

Sometimes we forget how well our freedom has served us. We forget how fantastic our growth has been. And every time we enter a period of economic adjustment, like the present, we hear promptly from those among us whose faith in freedom is qualified. They lose no time in prophesying that from now on, in the economic area at any rate, we are going to have to find new ways of conducting the nation's business—new ways of stimulating growth.

Fortunately, there aren't as many of these people around as there once were. They have tended to disappear, or at least to stop talking, during a period when the country's faith in its own capacity for growth has been made strong by its remarkable performance through 16 years of war and peace. We tend to forget how little faith some of our own people had only a relatively few years ago in our own great future as a nation. It is worth while, occasionally, to take a brief look back at those other days in order to appreciate the present and to take a clearer look at the future.

Stagnation Theory

Just recently one of my associates showed me an old copy of *Harper's Magazine* for the month of August 1938. It contained an article with this interesting title —"One Hundred Billion a Year: Could We Earn It? And Do We Want To?" In all seriousness the writer of this article examined the American economy and found that it had just about reached its absolute upper limit. The great depression, he said, was "the culmination of our growth and the ending of a long chapter in our history." In short, he concluded, "the great boom is over."

He put together an argument that probably sounded pretty convincing to a lot of people back in 1938. He pointed out that in the previous year the steel industry had produced 47 million tons of steel—and surely, he said, this was close to the saturation point. After all, our railroads were all built, we had all the bridges we needed, the rate of new automobile registrations had declined to the point where the industry would soon be operating on a strictly replacement basis, and the population had virtually stopped increasing. Under these conditions, it seemed the best that could be hoped for was just to hold the line.

In 1938 few people could even imagine such things as our present continental system of pipelines for natural gas and petroleum — our turnpike reaching halfway across the continent without arterial cross traffic or stop signals—or the use of atomic power to drive ships and light cities. And they had no

Continued on page 60

*An address by Mr. Colbert before the Annual Dinner of Poor Richard Club of Philadelphia, Jan. 17, 1958.

Dividends of Leisure

By DR. IRA U. COBLEIGH

Enterprise Economist

Some notes about investments among those industries which provide education, solace, sport, skill, sustenance, suspense and/or serenity for the leisure which our bountiful economy increasingly makes possible.

The experts in motivation among us have observed that an important, if not the dominant, motive of most employed Americans is to work hard enough to assure much leisure, and the wherewithal to enjoy it. Everywhere we see evidence to support that hypothesis. The five day week, with the imminent prospect of a four day one; upping the benefits from unemployment insurance; substantial rises in Social Security benefits (since the original legislation); broadening the coverage; and reduction in retirement age for women to 62; increasing vacation benefits in union wage agreements; the vast expansion in hotel, motel and travel accommodations; and the drive for three television sets in every home, two cars in every garage, and one mink stole on every lady's shoulders; with a copious scattering of Slenderella gift certificates and credit cards, as silhouettes may suggest (for dictate)!

Ira U. Cobleigh

So leisure we have; and we're bucking for more of it. But how will we spend it and who will benefit in an economic or stockholder sense? This is the proposition into which we shall direct our inquiry today. Who are the financial beneficiaries of mounting leisure?

To forward our project, let us view leisure time as of two sorts: (1) after work and weekends, and (2) holiday or vacation time. Just to give a folksy touch to the piece, we'll picture George Spelvin, head of the billing department of Zilchboom Electronics Co., returning home after the traditional "tough day at the office." He reaches home (never mind how) at 6:15 p.m. and his leisure time begins. In theory at least, it lasts till push-off time the following day at, say, 7:35 a.m.

First, perhaps, a cocktail before dinner, when he may pay a few jiggers of tribute to Schenley (stock sells at 18½, pays $1 plus stock dividend) or Distillers Seagram, one of the very best distilling companies (stock at 26 paying $1.20 plus extras). Dinner you may not precisely classify as leisure (since George eats equally on work days as holidays) but you can easily see where Armour & Co., General Foods, Standard Brands, General Mills, Hormel Corp., Ward Baking Co., and Borden are likely to add to their sales as he plies his knife and fork. After dinner, a cigarette or few, no doubt by Lorillard, American Tobacco, Liggett & Myers, Reynolds or Philip Morris are in order, or possibly a cigar by Consolidated Cigars (shares at 30 paying $1.40).

Then a trip to the television room. A western, a sleuth, a romance or a rock and roll show. Here, if George "follows his hand" he might consider being a stockholder in Columbia Broadcasting (shares at 27 paying $1 plus stock extra) or the daddy of communication and entertainment electronics, RCA (shares at 34 paying $1 plus an extra), not to mention distinguished set producers such as Motorola, Zenith and Philco, and Sylvania, largest maker of tubes.

About 9:30, maybe a glass of beer would go nicely. Here George becomes a client of perhaps Anheuser-Busch (Over-the-Counter Market at 18) or Pabst (at 5¾) or Ruppert (at around 8 on NYSE). Now these breweries haven't had especially good going lately, but if George is a good enough customer, perhaps he can "rev" up their shares for a capital gain. Comes bedtime with its automatic tribute to perhaps Simmons Company and Pepperell or Cannon Mills—and anon, the dawn of a new day, and another; till the week end rolls around. Then what? Depends on the season.

The winter. Perhaps a go at the cellar work shop. Skil Corp. is a leading maker of tools and tool sets. (Stock Over-the-Counter at 20) with lumber by Weyerhaeuser, plywood by U. S. Plywood (at $28 paying $2), and bandages by Johnson and Johnson, or Kendall Co. (Over-the-Counter at 33)!

Maybe reading is the order of the day off, in which case Grolier Society, publisher of Encyclopedia Americana and the Book of Knowledge may be invoked. (Stock pays 60c regular, and trades Over-the-Counter around 15.) Then there's Macmillan Co., the largest of the publishers (stock Over-the-Counter at 29), Meredith Publishing Co. (Over-the-Counter at 29), McGraw-Hill, publisher of books and magazines (on NYSE at 39½ paying $1.40 plus extras), Curtis Publishing Co. (stock at 10), and Book of the Month Club (at 11 paying 80c).

Perhaps records and hi fi are George's pastime which leads to Decca Records (shares at 14½ paying $1, with each share additionally representing 45/100 shares of Universal Pictures); as well as Columbia and RCA before mentioned.

Maybe the weekend will lead to a bowling session. In that case Brunswick-Balke-Collender, maker of pinsetters and bowling equipment, as well as billiard tables, comes to mind. Its common is well regarded at 33 paying $1. Also big in bowling, with an automatic pinsetter, is American Machine & Foundry with common listed on NYSE and selling at 34 with a $1.60 dividend.

Maybe there'll be a trip to the movies doing some good for Loew's and Twentieth Century-Fox.

Now forget winter. Let's see how George spends his time when it's nice outside (as, of course, it ever is in Arizona, Florida, New Mexico, etc.)! Savage Arms makes rifles and shotguns, and so does Olin Mathieson Chemical. Hercules Powder and Olin are large purveyors of ammunition. For complete lines of sporting goods, for golf, tennis, swimming, softball, basketball, badminton and archery, there's A. G. Spalding & Bros., the oldest name in sports with common stock selling at 13 and paying $1 (in stock) and McGregor Doniger Inc. (with class A stock listed NYSE at 11, paying 50c+).

A fabulous hobby today is photography, and two renowned companies stand ready to serve George here. Bell & Howell (listed common at 44 paying $1, plus a stock extra), and Eastman Kodak Co., one of the stalwarts composing the Dow-Jones Industrial with its common at 99 delivering an indicated dividend of $2.40 plus stock extra.

For those devoted to gardening, American Agricultural Chemical and Virginia Carolina will provide help; and True Temper Corp. produces a variety of farm and garden tools. For the musically inclined, Hammond Organ offers an instrument that matches chords to the tunes you know. The stock has done very well and earnings have advanced rapidly. Presently the common (on NYSE) sells at 30 paying $1.40 plus an extra, Lionel Corp. (trains and fishing tackle) has a common at 11 paying 80c.

One of the most dramatically successful of the leisure time companies is Outboard Marine Corp., maker of Evinrude, Johnson and Buccaneer Motors. The stock rose swiftly in the past two years, was split and now sells at 21 paying 80c. It's down from a 1957 high of 37⅜.

Now we almost forgot George's vacation—a trip—with Travelers' cheques by American Express; rides on rail or air lines or maybe Moore and McCormack lines; stopping at Sheraton or Hilton Hotels and picking up a Hertz Corp. rental car to cover the points of interest in—and presenting a Diners' Club card to many restaurants. George does all right. He is our example of the family head distributing, on the average, $6,000 a year in family income, and spending an increasing amount of it on the pursuits of leisure.

Here has been given a broad panorama for stock selection, based on the flow of leisure dollars. Decide for yourself which company, or companies, interest you; then research for all the pertinent facts. Somewhere along the line you can glean some rewarding dividends from leisure shares above alluded to. My own leisurely guess about the one least likely to go down would be Hertz Corp., now around $33 with a $1.20 dividend.

Pacific Finance Opens N. Y. Financial Office

The Pacific Finance Corporation has established a New York Financial office at 15 Broad Street under the direction of R. W. Borden, Vice-President. Paul J. Wallen is associated with the new office as financial representative.

Kogut Joins Cook

(Special to The Financial Chronicle)

CHICAGO, Ill.—Leon Kogut has joined the staff of Cook Investment Co., 208 South La Salle Street, members of the Midwest Stock Exchange. Mr. Kogut was formerly with Arthur M. Krensky & Co. and Republic Investment Company.

Joins Barret, Fitch

(Special to The Financial Chronicle)

KANSAS CITY, Mo. — Fred C. Van Bebber has become connected with Barret, Fitch, North & Co., 1006 Baltimore Avenue, members of the Midwest Stock Exchange.

With Burke & MacDonald

(Special to The Financial Chronicle)

KANSAS CITY, Mo. — Loyd C. Owen, Jr. is now with Burke & MacDonald, Inc., 17 East 10th Street, members of the Midwest Stock Exchange.

Midland Secs. Adds

(Special to The Financial Chronicle)

KANSAS CITY, Mo. — Herbert M. Swarthout is now with Midland Securities Company, Inc., 1016 Baltimore Avenue.

Joins Lee Higginson

(Special to The Financial Chronicle)

BOSTON, Mass. — Wesley E. Young has become connected with Lee Higginson Corporation, 50 Federal Street.

With Moors & Cabot

(Special to The Financial Chronicle)

BOSTON, Mass. — Lawrence T. Perera is now with Moors & Cabot, 111 Devonshire Street, members of the New York and Boston Stock Exchanges.

With Bosworth, Sullivan

(Special to The Financial Chronicle)

DENVER, Colo. — Henry A. Perry has been added to the staff of Bosworth, Sullivan & Co., 660 Seventeenth Street.

How American Business Can Profit From European Common Market

By RUSSELL BAKER*
Baker, McKenzie & Hightower, Chicago, Ill.

Noted international lawyer utilizes experience and research in explaining organizational and other changes U. S. Business should consider in order to hold on to existing foreign markets and to take advantage of new competitive opportunities expected from enormous growth potential in the newly evolving six-nation European Economic Community — and other economic federations. In discussing the three routes available to American business in the coming foreign trade and investment renaissance, Mr. Baker covers such matters as "base company," tax laws, lessons learned from coal-steel common market, and powerful factors that must be overcome.

The European Economic Community is now a legal reality. All six nations, Belgium, France, Germany, Italy, Luxemburg, and The Netherlands have each ratified the Treaty. The Treaty which provides the blueprint for the Common Market came into force Jan. 1, 1958. Now comes the slow gradual process of translating the Agreement into an operational reality.

Russell Baker

A journey of a thousand miles begins with the first step. The journey towards the complete functional reality of the Common Market is no doubt a long and difficult one. Yet the first step has been taken.

This Treaty, and the economic union of the six nations which it postulates, is a symbol. It is a symbol of unity, progress and strength. Its impact, even while it is yet a symbol, is immense. Already it has stimulated all sorts of actions in individuals, enterprises, its nation components as well as the non-Treaty countries, al in the direction of greater and a freer trade.

This Treaty is a symbol unity of the free vis a vis the communist world. The fact that the communists in every country at all levels have fought this Common Market plan should commend it to the friends of freedom everywhere.

The development of the European Economic Community from the present point of mere legal existence to the final stages visualized in the Treaty will be gradual. Full operation is projected over a period of 12 to 15 years. Yet some important events will take place quite at once, not the least of which is the establishment of a common tariff by the Community countries as to non-Community goods. The abolition of inter-country tariffs will be by stages; the first cut of 10% will come Jan. 1, 1959.

The first task of the Community is to become functional. This is now in prospect with the selection of the executive and administrative personnel, certain of which have already (Jan. 6 ,1958) been named. It will no doubt be many months before the organization can begin to work. The mere task of selecting the geographical situs of the headquarters may take some time. Meanwhile the whole effort to unite Europe even at this limited economic level is met with both hope and skepticism. Hope is the preponderant sentiment because unification of Europe is believed by a very great number of people to be necessary to survival.

Even though we are concerned at this point with hope, expectation and speculation as to what will come out of the Treaty creating the Common Market, there are, nevertheless, facts that we should examine and certain developments and trends that we can measure in terms that are useful to an American Businessman or investor, in order to determine what the probable effect of the Common Market on him will be.

If we are to find an answer or some of the answers to the question posed by the title of this paper, we must examine the origin, structure and operational scheme of the Community. I propose, therefore, a non-technical discussion of the strictly non-political, practical aspects of the case. Whether the European Common Market scheme is the first step in the political integration leading to something like the United States of Europe, as some enthusiastic Europeanists claim, is a speculation that lays beyond the scope of this paper.

We can begin this study by asking a further question:

What Is the European Economic Community?

It seems to me that the correct way for the practical businessman to think of the European Economic Community is in terms of a new nation's having been created, created not by conquest, but by a contract between six independent sovereign countries. This new nation, the European Economic Community, is essentially without nationality, or stated another way, we can say that its nationality is plural. It is a nation created for a particular purpose. The result is an economic Federation. Within the sphere of its competence, this Federation is supreme and superior to any person or group of persons dwelling within its geographical limits. It is superior in its area of competence to any one or all of the six countries which created it and who remain behind, so to speak, unfederated at the political level. The Community is a sovereign entity with its own legislative, executive and judicial powers. It is much more than a common market or a customs union. The term "common market" has become one of art, meaning considerably more than a customs union, and perhaps something slightly less than a full-economic union. It means the elimination of not only the inter-country tariffs but of any other device or condition which produces the same result. It means a harmonzing of social, fiscal and monetary policies and tax structures among the six countries. It means that labor and industry will be assisted by a retraining program and by financial assistance in meeting the new situation created by the elimination of trade barriers. Some of the inefficient hot house industries may disappear.

The "common market" concept is an invitation as new and as startling in the field of international economics as the automobile, the airplane or the splitting of the atom were in the fields of transportation and the physical sciences.

If I were discussing this subject from the standpoint of a patent lawyer, perhaps I could say that the novelty or the invention in this new device consisted of: (a) the creation of a sovereign authority of limited orbit, that is limited to the economic sphere, with definite stated objectives, including the removal of all obstacles to the free movement of goods, services, people, or capital; (b) the attainment of these objectives gradually; (c) machinery for the retraining of people who are displaced by the elimination of businesses that cannot exist in a free market; (d) financial help for those industries which cannot survive in the free climate of competition; and (e) the first European anti-trust law.

Actually, we are living in a period characterized by great inventions not only in the physical sciences, but in economics and political science as well. In that respect the past 15 years have been among the most inventive in modern history. In these years the Western World has invented Lend Lease, a Unified Army, an integrated High Command, United Nations, the Marshall Plan, the Organization for European Economic Co-operation, Technological Assistance, International Atomic Research, the European Coal and Steel Community, the European Atomic Energy Community, and a host of other organizaions and devices whose purpose is to work towards peace and prosperity.

The Background of the European Economic Community

What, then is the background of this interesting and unique nation? Where did the idea of creating a nation for a specific and limited purpose orginate? The immediate progenitor of the European Economic Community was the smaller entity, the European Coal & Steel Community, created by the same six nations, smaller in the sense that its sovereignty was limited to the establishment of a common market and a customs union for only two products, coal and steel. Actually, the institutional character of the European Economic Community is based upon and is borrowed from the Coal and Steel Community. The same intellectual forces are responsible for the creation of both. There is a very strong parallelism in purpose, structure and design between the European Coal and Steel Community, on the one hand and the European Economic Community on the other. So close is this affinity that we must constantly refer to the first for insight and understanding of the second.

The European Coal & Steel Community was by no means the first attempt to create by contract between independent sovereign nations a new entity with sovereign powers with limited jurisdiction. The idea can be traced to other institutions and periods. These antecedents include specialized international organizations, such as the Sugar Convention and the Danube Commission, certain functions of the League of Nations and the UN, the occupation arrangements such as the Ruhr Authority.

One of the earliest and most successful attempts, although very limited in its scope, to create a supra-national sovereign body was the Universal Postal Union. This supra-national entity was founded in 1875. Our own country was one of the prime factors in the early agreement by which it and 95 others by contract joined together and created a separate entity with a minute sovereignty of its own. The fundamental principle of the Postal Union is contained in a striking article which lays down the principle that for the purpose of postal communication, all of the signatory countries form a

Continued on page 55

*An address by Mr. Baker before the Export Managers Club, New York City.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Atomic Letter (No. 33)—Discussing seven additional companies in missiles and rocket field whose shares are held by the Fund and citing a study of world supply and demand for uranium for power and propulsion purposes—Atomic Development Securities Co., Inc., 1033 Thirtieth Street, N. W., Washington 7, D. C.

Balanced Funds — Two selected lists for the investment of **$20,000**—In current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also available is a report on **Sealright Oswego Falls** and a bulletin on "**Laggards vs. Leaders.**"

Burnham View — Monthly investment letter — Burnham and Company, 15 Broad Street, New York 5, N. Y. Also available is current **Foreign Letter.**

Business Comment with resume of 1957—The Northern Trust Company, La Salle and Monroe Streets, Chicago, Ill.

Electrical Machinery Manufacturing Industry in Japan—Review in current issue of Nomura's Investors Beacon—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also in the same issue are discussions of the Japanese Bond issue market and the Shipping Trade.

Investing in the Drug Industry — Analytical brochure — Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is a report on **Standard Brands, Inc.**

Investment Implications of Recent California Utility Rate Decisions—Analysis—Dean Witter & Co., 14 Wall Street, New York 5, N. Y.

Investors Best Friend and Worst Enemy—Booklet describing way to sound investment practices and also some of the unscrupulous methods used to entice and defraud the unwary investor—New York Stock Exchange, 11 Wall Street, New York 5, N. Y.—On request.

Japanese Stocks — Current information — Yamaichi Securities Company of New York, Inc., 111 Broadway, New York 7, New York.

Looking Forward: Forecast for 1958 by Edward P. Rubin — Selected Investments Company, 135 South La Salle Street, Chicago 3, Ill.

Metals — Review — Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a bulletin on **Emerson Electric.**

Missiles — Review — Carl M. Loeb, Rhoades & Co., 42 Wall Street, New York 5, N. Y.

New York City Bank Stocks—Comparative figures at Dec. 31, 1957—The First Boston Corporation, 15 Broad Street, New York 5, N. Y.

New York City Bank Stocks—Comparison and analysis of 1957 earnings of 13 New York City bank stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Outlook for 1958—Bulletin—Purcell & Co., 50 Broadway, New York 4, N. Y.

Over-the-Counter Index — Folder showing an up-to-date comparison **between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to** yield and market performance over a 14-year period — **National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.**

Recession — Analysis of current business activity — Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

Review of Foreign Exchanges—Samuel Montagu & Co., Ltd., 114 Old Broad Street, London, E. C. 2, England—Subscription prices on request.

Treasure Chest in the Growing West—Booklet explaining industrial opportunities in area served—Utah Power & Light Co., Box 899, Dept. K, Salt Lake City 10, Utah.

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American Cyanamid Co.—Memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y. Also available are memoranda on **Consolidated Edison Co. of New York, First National Stores, Inc., Food Machinery & Chemical Corp., H. J. Heinz Co.** and **McGraw-Hill Publishing Co.**

Bohn Aluminum & Brass Corp.—Bulletin—Georgeson & Co., 52 Wall Street, New York 5, N. Y. Also available is a bulletin on **Alabama Gas Corporation.**

Brooks & Perkins — Memorandum — Draper, Sears & Co., 50 Congress Street, Boston 2, Mass.

Burlington Industries — Data — du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also available are data on **Carrier Corp.** and **Foster Wheeler.**

Colgate-Palmolive Co.—Memorandum—Auchincloss, Parker & Redpath, 725 Fifteenth Street, N. W., Washington 5, D. C.

Haydu Electronic Products Inc.—Circular—Berry & Company, 240 West Front Street, Plainfield, N. J.

Hazeltine Corp. — Bulletin — Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Hydra Power Corporation—Progress report—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Laclede Gas Company—1957 annual report—Laclede Gas Co., 1017 Olive Street, St. Louis 1, Mo.

Lone Star Cement—Data—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y. Also in the same circular are data on **Penn Dixie Cement.**

Minneapolis-Honeywell—Memorandum—Green, Ellis & Anderson, 61 Broadway, New York 6, N. Y.

Pan American World Airways—Analysis—Abraham & Co., 120 Broadway, New York 5, N. Y.

Perkin-Elmer Corporation—Analysis—H. Hentz & Co., 72 Wall Street, New York 5, N. Y.

Quaker Oats Company — Report — Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Raytheon—Progress report—J. R. Williston & Co., 115 Broadway, New York 6, N. Y. Also available is a bulletin on **General Cable.**

St. Louis, San Francisco Railway Co.—Report—Peter P. McDermott & Co., 42 Broadway, New York 4, N. Y.

Southdown Sugars, Inc. — Memorandum — Howard, Weil, Labouisse, Friedrichs & Co., 222 Carondelet Street, New Orleans 12, La.

Walker Manufacturing—Memorandum—Robert W. Baird & Co., 110 East Wisconsin Avenue, Milwaukee 1, Wis.

Western Natural Gas Co.—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Western Union — Bulletin — Herbert E. Stern & Co., 52 Wall Street, New York 5, N. Y.

NSTA Notes

BOND TRADERS CLUB OF CHICAGO

The Bond Traders Club of Chicago will hold their 32nd Annual Midwinter Dinner on Jan. 27 at the Sheraton Hotel, 505 North Michigan Ave.

General Chairman is Orville H. Strong, First National Bank of Chicago.

Guest Reservations: Donald Shubert, Dempsey-Tegeler & Co. and William Gratza, Hornblower & Weeks.

Dinner and Hotel Reservations: Adolph Egner, Jr., Shearson, Hammill & Company.

Optimistic Options: Leonard Friedman, Boettcher & Co.

Cocktails will be served from 6 to 7 p.m., in the Tally-Ho Room and dinner will be served immediately thereafter in the Grand Ball Room.

Jerome F. Marquardt, William A. Fuller & Co., is President of the Bond Traders Club.

TWIN CITY SECURITIES TRADERS ASSOCIATION

The Twin City Securities Traders Association will hold their annual winter dinner at the Calhoun Beach Hotel, Minneapolis, on Jan. 30. Cocktails will be served at 5:30 p.m., followed by dinner at 6:30 p.m. Reservations should be made with Joseph C. Mahoney, C. D. Mahoney & Company, Minneapolis.

BOSTON SECURITIES TRADERS ASSOCIATION

The Thirty-fourth annual dinner of the Boston Securities Traders Association wil be held at the Sheraton Plaza Hotel, Friday, Feb. 14 at 7:30 p.m.

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York will hold their Annual Spring Dinner on April 25 at the Waldorf-Astoria Hotel.

COMING EVENTS

In Investment Field

Jan. 27, 1958 (Chicago, Ill.)
Bond Traders Club of Chicago annual Midwinter Dinner at the Sheraton Hotel.

Jan. 30, 1958 (Minneapolis, Minn.)
Twin City Security Traders Association Annual Winter Dinner at the Calhoun Beach Hotel.

Feb. 14, 1958 (Boston, Mass.)
Boston Securities Traders Association 34th annual dinner at the Sheraton Plaza Hotel.

Feb. 21, 1958 (Houston, Tex.)
Stock & Bond Club of Houston annual Field Day at Lakeside Country Club.

Feb. 28, 1958 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia annual Mid-Winter Dinner at Bellevue-Stratford Hotel.

March 7, 1958 (New York City)
New York Security Dealers Association 32nd annual dinner at the Waldorf-Astoria.

April 11, 1958 (Toronto, Canada)
Toronto Bond Traders Association annual dinner at the King Edward Hotel.

April 23-25, 1958 (Houston, Tex.)
Texas Group Investment Bankers Association annual meeting at the Shamrock Hotel.

June 9-12, 1958 (Canada)
Investment Dealers' Association of Canada annual convention at Manoir Richelieu, Murray Bay, Quebec.

Sept. 29-Oct. 3, 1958 (Colorado Springs, Colo.)
National Security Traders Association Annual Convention at the Broadmoor.

Nov. 30-Dec. 5, 1958 (Miami Beach, Fla.)
Investment Bankers Association of America annual convention at the Americana Hotel.

Nov. 2-5, 1959 (Boca Raton, Fla.)
National Security Traders Association Annual Convention at the Boca Raton Club.

G. B. Genge Opens

GLENDALE, Calif.—Gordon M. Genge is conducting a securities business from offices at 550 Whiting Woods Road.

B. Lauterstein Opens

BEVERLY HILLS, Calif.—Benn Lauterstein has opened offices at 227 South Robertson Boulevard to engage in a securities business.

William O. Burt Opens

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—William O. Burt is engaging in a securities business from offices at 139 South Beverly Drive.

Seymour Chapnick Opens

FLUSHING, N. Y.—Seymour Chapnick is conducting a securities business from offices at 153-19 Fifty-eighth Road.

G. F. Drury Opens

BUFFALO, N. Y.—George F. Drury is engaging in a securities business from offices at 99 Cheltenham Drive.

Form Empire State Mutual

Empire State Mutual Sales, Inc. has been formed with offices at 141 Broadway, New York City, to engage in a securities business. Richard Karpe is a principal of the firm.

With W. F. Rutter

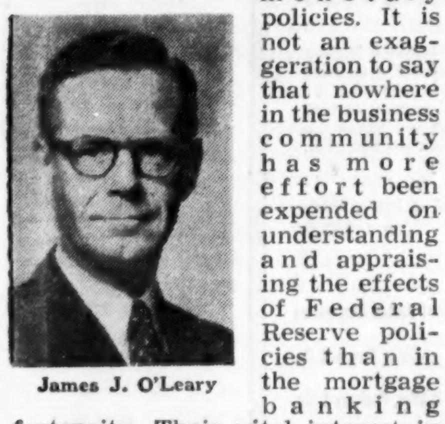
BOSTON, Mass. — Edward F. Marshall has been added to the staff of W. F. Rutter, Inc., 19 Congress Street.

Effect of Monetary Policies On the Mortgage Market

By DR. JAMES J. O'LEARY*
Director of Economic Research
Life Insurance Association of America

Dr. O'Leary deplores neglect of the significant effects of monetary policies upon the mortgage market and home building, and attempts to review and appraise developments since mid-1950 to fill the gap said to be caused by monetary students' concentration on bank credit and bond market. Looking into 1958, the insurance economist envisages reversal of FHA mortgage market trend if capital demands for funds decline as predicted. Finds that monetary policy possesses marginal but, nevertheless mighty important mortgage market effects; questions effectiveness of Regulation X type of controls; argues that government-supported mortgage program produces cross-purpose, haphazard and other questionable effects; and calls for additional study to understand, for example, how monetary policy timing can exercise better effectiveness on forward commitments.

During the postwar period the real estate mortgage market has become increasingly, and often painfully, aware of the impact of monetary policies. It is not an exaggeration to say that nowhere in the business community has more effort been expended on understanding and appraising the effects of Federal Reserve policies than in the mortgage banking fraternity. Their vital interest in the impact of monetary policies is perhaps exceeded only by that of the homebuilders who have also come to appreciate that the Federal Reserve can exert an important influence on housing. This latter is perhaps the understatement of the year.



James J. O'Leary

In spite of recognition by those active in the mortgage market and homebuilding of the important influence exerted on their activities by Federal Reserve policies, monetary theorists are still inclined to limit their discussion largely to the impact of monetary policies upon commercial bank credit and the bond market. This approach is much too narrow because it is clear that monetary policies have highly important effects in the mortgage market. The purpose of this paper is to review and appraise these effects.

*An address by Dr. O'Leary before the American Finance Association's Annual Meeting, Philadelphia, Pa., Dec. 28, 1957.

Components of the Real Estate Mortgage Market

Before turning to the impact of monetary policies on the mortgage market, it will be helpful to distinguish between several component parts of the market. This is because the impact of monetary policies falls somewhat differently upon these parts. In the non-farm residential mortgage field it is useful to distinguish between Government-insured and guaranteed mortgages, on the one hand, and conventional mortgages, on the other. For the purposes of this paper, the basic distinction is that the interest rate on Government-insured and guaranteed mortgages is a regulated rate. Whatever yield flexibility exists for investors in this area comes about through discounts or premiums. Because of the regulated rate, this sector of the capital market is unresponsive to changes in overall capital market conditions. On the other hand, the interest rate on conventional residential mortgage loans, although sluggish in movement, is free to reflect and respond to capital market changes. Other important differences are that the Government-insured and guaranteed mortgages are characteristically low down-payment, long-amortization period mortgages, whereas state law and custom place the conventional loans characteristically on a much higher down-payment and a shorter amortization basis. There is also, of course, the Government-insurance or guaranty in the one case and the absence of it in the other.

The other sector of the real estate mortgage market which should be distinguished is conventional mortgage loans on commercial and industrial properties. Because of the close relationship of this sector of the market to financing by means of industrial bonds and notes, the interest rates on conventional business mortgages are much more sensitive to changes taking place in the bond market and in the capital market as a whole. Net yields on these mortgages are fairly closely related to net yields on industrial and public utility bonds and similar investment outlets.

This paper does not attempt to deal with the other major component part of the mortgage market, namely farm mortgages.

Some Important Characteristics Of Mortgage Financing

Before proceeding with a discussion of the impact of monetary policies upon the real estate mortgage market, it will also be helpful to consider briefly certain characteristics of the market which have an important bearing upon the impact of monetary policies. Of primary significance is the fact that mortgage financing is characterized by the forward commitment procedure. This means, for example, that a residential builder, prior to obtaining construction financing from a commercial bank, seeks a commitment for permanent financing from an investor such as a life insurance company or a mutual savings bank. Terms of the financing are specified in the forword commitment. The forward commitment. The forward commitment is thus an essential and indispensable part of the financing process. The forward commitment is also characteristic of commercial and industrial mortgage financing.[1]

The forward commitment process is particularly important in the case of new construction because of the time lag involved. A forward commitment made by an investor in April, let us say, on credit terms prevailing in April may finally result in the actual delivery of the mortgage and disbursement of funds in November. The lag, of course, is related to the period of construction. The length of the lag between commitment and disbursement of funds varies a great deal; it may run all the way from a few months to as much as two years or more depending on whether the construction is residential or commercial or industrial, as well as other factors. Another way to view the forward commitment process is that in a period of relatively easy credit and reduced construction activity a large volume of forward commitments may be built up resulting in heavy construction activity at a later time. As will be developed in this paper, the forward commitment process renders it exceedingly difficult for the monetary authorities to time the effect of their policies upon construction expenditures.

A Review of Recent History of The Impact of Monetary Policies On the Mortgage Market

The most fruitful way to analyze the impact of monetary policies upon the real estate morgage market is to review the history of these effects in recent years. For this purpose the period from mid-1950 has chosen because it carries through the experience with direct controls under Regulation X, as well as through the experience under general credit controls. There may be some objection to including a discussion of direct credit controls within the purview of this paper, but it seems justified because they are the alternative to general credit controls in this area.

The Experience With Regulation X. It will be recalled that when the Korean War broke out in mid-1950 we were in the early stages of a boom in our economy which was spearheaded by the sharp rise in residential construction. At that time the Federal Reserve was still supporting the prices of Government securities at above par. As the demand for residential mortgage credit (especially Government-insured and guaranteed credit) grew, there was an open invitation to institutional investors to extend forward commitments to purchase mortgages on the assumption that it necessary the cash required to disburse these loans could be raised by the sale of Government securities. The significant point is that at this time institutional investors had little need to relate their forward commitments to their cash flow; a large portfolio of readily saleable Government securities at pegged prices made it certain that cash could be raised to meet commitments almost regardless of how high these commitments became.

[1] It is also characteristic of the purchase of industrial and public utility securities through direct placements.

It was in this climate that the Defense Production Act was passed in August, 1950, one section of which authorized the Federal Reserve Board at the President's direction to undertake control of the terms of Government-insured and guaranteed mortgages. The act stipulated that before deciding upon the exact form of the controls the Federal Reserve must consult with industry advisory groups. Promptly after passage of the act the Federal Reserve was directed to place the controls in effect and a series of meetings were held with advisory groups representing the home-builders, the various lending institutions, and others.

These meetings, which extended over several weeks, were essential to the drafting of an intelligent regulation in the highly complicated field of residential mortgage credit. Regulation X, which was placed in effect in October, covered virgin territory and was drawn only after an expert group brought together by the Federal Reserve had given the matter very careful consideration. Unavoidably, however, these conferences gave the mortgage market a clear insight into the nature of the regulation as it was in the formulation stage. When it was ultimately announced, about the only thing the market did not know in advance was the actual down-payment and amortization terms.

Result Preordained

Given the nature of the residential mortgage market and the pegs on Government securities, the result was preordained. An exceedingly heavy volume of forward commitments on pre-Regulation X terms was bulit up prior to the ef-

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British Resistance to Inflation

By PAUL EINZIG

British economic analyst pinpoints resignation of Mr. Thorneycroft as Chancellor of the Exchequer and two other Treasury officials to the Cabinet's general attitude toward rising trend of governmental expenditure rather than to actual small amount involved. Notes resignations produced such beneficial effects as: focusing attention on the issue, which should keep budget economies to the forefront, and providing useful reminder that the battle of the pound is yet to be won.

LONDON, Eng. — The circumstances and consequences of the resignation of the three Treasury Ministers are gradually becoming clear. Mr. Thorneycroft and his two colleagues explained their decision in public speeches, in so far as this was possible without betraying Cabinet secrets or disclosing unpublished details of Estimates. It is now fairly clear that there was no clear-cut difference of £50 million or any other definite figure between Mr. Thorneycroft's figure, but that of the Cabinet, and that the main reason for his resignation and that of his two colleagues was the feeling that the Cabinet was lacking determination to resist the rising trend of expenditure.

Paul Einzig

In this respect, as indeed in respect of several other aspects of the incident, history repeated itself to a remarkable degree. In December 1886 Lord Randolph Churchill resigned his office as Chancellor of the Exchequer, in circumstances that bore striking similarity to those of Mr. Thorneycroft's resignation. It may not be without interest to quote the relevant passages from Lord Randolph Churchill's resignation speech delivered on Jan. 27, 1887 in the House of Commons:

"I resigned because I could not become responsible for the Estimates. I was deeply and repeatedly pledged by many speeches I had made in various parts of the country to a policy of retrenchment and economy, because I was convinced by what I had learnt at the Treasury that such a policy was not only necessary but perfectly feasible, and because, viewing these pledges, it was impossible for me usefully to retain office as Chancellor of the Exchequer in a government in whose policy effective retrenchment finds no prominent place. The only request I made to my colleagues was that they should make a sensible and appreciable effort to return to a more normal expenditure. I named no figure. In my own mind —and I may have mentioned it casually in conversation without insisting upon it—I thought that a reduction of £1 million in time of peace on the military and naval expenditures would have been an adequate reduction. It was only when I found from the view they held that they were absolutely unable to make even the commencement of an effort to return to a more normal rate of expenditure that I was forced to send my resignation."

Cabinet's General Attitude

In face of the suggestion that a difference of £50 million is not sufficient reason for a Chancellor to resign it is interesting to recall that 70 years ago a Chancellor resigned on account of a difference of a mere £1 million. In both instances it was the Cabinet's general attitude rather than the actual amount of the difference that induced the Chancellor to resign.

Beyond doubt, Mr. Thorneycroft was right in making a firm stand. If Britain wants to defend sterling a line must be drawn somewhere. Even a minor retreat from that line is liable to open the floodgates to costly concessions, and the line is liable to become untenable.

Possibly the shock of the resignation of the Treasury Ministers may prove to have produced a beneficial effect. Had Mr. Thorneycroft and his colleagues attempted to continue to fight the battle of retrenchment from within the Government it is certain that they would have been overruled, because their resistance would have received no publicity. As it is, the Government's unwillingness to cut some expenditure in order to keep the grand total unchanged has received a great deal of hostile criticism in the Press. The searchlights of publicity are now focused on Mr. Thorneycroft's successor, Mr. Amory. And public opinion has been thoroughly aroused. The fact that three prominent politicians were prepared to risk their political future in the cause of expenditures cuts has made millions of people realize the importance of budgetary economies.

In the circumstances Ministers are expected to feel impelled to make a supreme effort to cut expenditure, far beyond the extent to which Mr. Thorneycroft would have been able to induce them to cut it if he had remained in the Government instead of resigning. There is no doubt about it that a supreme effort will be made to defend the internal and international value of sterling. The setback in sterling that followed Mr. Thorneycroft's resignation, and again his speech explaining the circumstances of his resignation, provided a useful reminder to the Government that the battle of the pound is yet to be won.

Cannot Afford an Election

The political crisis that threatened to arise from the resignations seems to have blown over. Mr. Thorneycroft promised his support to the Government, and the large number of Conservative Members of Parliament who share his views will not do anything to embarrass the Government. It would be indeed suicidal to take action that might lead to the resignation of the Government or the dissolution of Parliament. In existing circumstances a general election would result in a large Socialist majority, and this would mean the advent of a spendthrift Government with highly inflationary policies. For this reason, Mr. Thorneycroft and his supporters can have no choice but to support Mr. Macmillan.

Mr. Heathcoat Amory shares Mr. Thorneycroft's determination to defend sterling at its present parities. At the moment the undertone of sterling is firm, largely owing to the seasonal improvement of the balance of payments. But there is no place for easy optimism. The Sterling Area is bound to be affected by the fall in raw material prices, and the recession in the United States is also a potential adverse factor.

E. F. Kemp Opens

SHREVEPORT, La. — Edgar F. Kemp is engaging in a securities business from offices in the Johnson Building. Mr. Kemp was formerly local manager for Joel H. Clark & Associates Inc.

A Bank's Annual Report For Better Public Relations

By WESTON SMITH*

Director of Annual Survey of Annual Reports
Managing Director, Weston Smith Associates

Consultant Smith depicts encouraging strides undertaken by progressive banking leaders in modernizing their annual bank reports to better explain financial facts of life in an understandable form—construed to be of no little importance in preserving the American way of life. Offers advice on how to convert bank report into a public relations document without stooping to comic strip level, and stresses importance of bringing out in the content the bank's benefit to depositors, employees, customers and the public.

The modernization of financial institution annual reports — their expanded content, increased clarity and improved appearance—reflects the progress of American bank managements in accepting the responsibility to explain their affairs in a form that can be more widely understood by their shareholders, customers and the public. During the past several years there has been an undeniable trend in the continued improvement in bank annual reports, providing substantial evidence that these yearly documents have become a dynamic force in community public relations. They are now established as a medium for fostering a wholesome appreciation of banking in our economic system among stockholders, depositors, employees and customers.

Weston Smith

The conversion of several hundred bank annual reports to public relations documents has been an outstanding development of the past decade. It was less than a dozen years ago that practically no bank report computed earnings and few provided any comparative statistics. In those days it was regarded as inappropriate to report an income account, and the banks which did seldom revealed breakdowns in revenues.

At first it was a few hundred inquiries from stockholders and investors that encouraged bank managements to provide more and clearer information to the actual owners of their institutions. It is almost unbelievable that many bank managements have continued to publish index - card statements of condition long after their stockholder lists had expanded from a handful of substantial investors to thousands of small shareholders.

It is not necessary to review the basic change in the ownership of financial institutions during the past generation. Suffice to say, an abbreviated and condensed annual report once served the purpose of the big investors, financiers and investment advisers who made it their business to keep in close touch with their investments throughout the year.

During the past 20 years, the ownership of most of our large banks has fanned out into the hands of many thousands of small investors holding odd lots of five or 20 shares. Consolidations of small banks, the development of the holding company and the passing of the ownership of family-held financial institutions into the hands of the many through public offerings by investment bankers have changed the readership of annual reports. Today the account of stewardship of the president of almost any bank must be addressed to an audience which includes people in practically all walks of life—persons who have had little or no training or experience in accounting or finance, let alone simple economics.

*An address by Mr. Smith before the Vermont-New Hampshire School of Banking, Tuck Graduate School of Business, Dartmouth College, Hanover, N. H.

Cites Improvement Figures

Consider the trend of improvement in bank annual reports scored since 1940—a period which included the greatest war in history. Just 16 years ago, only 6% of the corporation annual reports studied were considered as providing adequate statistics and being reasonably interesting to read. In the same year 16% were regarded as showing improvement, when compared with the annual reports of a decade before, while 78% had shown no significant change in the previous 10-year period.

In this year's survey of 1956 annual reports, the proportion of "modern" annual reports had increased to 36% of the 5,000 rated, contrasted with 6% of the 1940 reports. Meanwhile, those in the "unchanged" category had dropped to 64%, as compared with 78% only 16 years ago.

Each year in the 16-year period registered an increase in the number of banks which produced what could be regarded as comprehensible and attractive reports. At this point, it might be advisable to mention that in rating both industrial corporation and bank annual reports "Financial World" places the emphasis in facts and figures—out of a total possible 100 points, 60 points are considered for editorial content and financial statistics, while only 40 points are possible for typography, format and illustrations.

The continued increase in the number of modernized bank annual reports during past dozen years provides strong evidence that progressive managements are finding it sound practice to keep their shareholders informed—to earn the confidence and support of the very people who are one of the important beneficiaries of the American economic system.

It should be obvious, that the management of each individual bank must accept the responsibility for distributing as many modernized annual reports as possible to those who have a direct or indirect interest in the maintenance of our form of government. And here is the reason why: Our American way of life is in grave danger of deterioration — not so much from any outside influence or hostile government, but from the actions of our neighbors who do not seem to appreciate the advantages of our free economy.

An Informed Democracy

Our industrial system and our American democracy are so closely related that it would be foolish to assume that the one can survive without the other. Both are threatened because of the lack of understanding of the rank and file of our people — and this includes the voters who hold the balance of power in our elections and can choose any form of government that they think they want.

It is not necessary to recall the story of the golden goose which laid the golden eggs to realize how easily a good thing can be destroyed by the failure of its beneficiaries to understand it. All of us today are conscious of the throttling effects of unsound doctrine on the public, and particularly on the industrial worker for more wages, that management is holding out on labor, that profits are socially undesirable, that people should be paid for not producing, that in the last analysis government ownership of industry probably would assure greater security for all, and so on and on. . . .

The managements of many of our banks have not been unmindful of these threats against our American system, which has provided the highest standard of living for more people than any nation on earth. The more progressive banking leaders have recognized their right and responsibility to explain the financial facts of life in a form that can be easily understood by the majority of our people. To counteract the misconceived suspicion and distrust of the banking business to answer the unfair charges of huge profits and selfish greed in the accumulation of wealth, to prove that their policies and conduct are in the public interest, our banks are opening their books so that all may see just where the income dollar goes, and who gets the lion's share.

Case history after case history can be produced to show that when the facts about the operations of a bank are made available, and then are understood by all concerned, suspicion and distrust vanish, and confidence, appreciation and cooperation develop. The annual report is the one official document of the bank which can effectively serve in presenting the facts, but they must be interpreted for the understanding of the reader who has had little or no training in economics and finance.

It is worth emphasizing that today the majority of the readers of annual reports probably did not finish high school, and an increasing number of all stockholders are women. These are "two" powerful reasons why bank annual reports must be financially understandable to the average persons in the community served.

The bank report in its modernized form, therefore, has become an effective medium of community public relations in helping to inform and educate the people supported and served by the financial institution. It is a matter of logic that, if we are able to make the accounting in bank reports increasingly clear and simple, we shall gradually year by year get more facts about the advantages our banking system across to more and more people. Whatever are the weaknesses of our capitalistic form of government, time will prove that there are greater weaknesses to be found in other presently better-publicized systems.

A Slow Process

But let it be emphasized that the progress in explaining the financial facts about banks to the majority of our people will likely be a slow process. Of one thing we may be sure—there is no need or advantage in attempting an over-night revolution in bank accounting! Indeed, there may be great danger that many may be led astray by various schemes which propose a sort of radically changed and false simplicity in accounting. The great needs are for clear explanation, greater uniformity, plus an improvement in the attitude of stockholders, employees and the public toward banking.

We know, for instance, that there is an irreducible minimum of stockholders and workers who will not be convinced through any kind of annual report. It will be found that about 20% of the public are abnormal or subnormal in their attitude toward the truth. This percentage is confirmed by the several surveys which show that more than 20% of our people do not know the meaning of the words "assets," "liabilities." Since almost 80% know in a general way the significance of these terms, they are as good as any yet suggested substitute.

Semantics

As to the word, "profits," however, here is where confusion is rampant. It is not the function of bankers in their annual reports to defend the profit system. The challenge is to make the results of the profit system interesting and clear to all of its beneficiaries particularly of economics, the term, "profits," is not entirely clear.

The term, profits, may apply to so-called monopoly profits, and thus represent a sort of surplus. Therefore, it would seem desirable in the interest of understanding profits to indicate the source by substituting the phrase, "net earnings." This phrase suggests that profits are earned, and are the reward of the function of the bank, and that being net, the earnings are over and above other rewards which the institution may receive for exercising its functions.

In this connection, there are many reasons to object to the phrase, "profits before taxes." In a sense, there is no such thing. Taxes have to be paid before net earnings can be ascertained. Taxes are a necessary expense of doing business and should be deducted from operation income. Taxes are a payment for the services of government. Emphatically, taxes are not collected from depositors and customers by the bank acting as a sort of tax collector.

What is needed are captions that define by showing the derivation or source of each item. For example, there are some cases in which if the definition be short enough it may be substituted for the term which it defines. Thus, "working capital," is a term that is not readily understood by the laymen. It may be defined, however, as "net current assets," there would be less tendency to confusion on the part of the readers of their annual reports. It suggest the derivation of working capital.

Let us not forget that the bank annual report is prepared primarily for shareholders. Secondarily it is for employees, depositors and customers, and beyond these segments of the public are the community served and the nation of which the bank is an integral part.

There is an increasing amount of talk about shareholder interest. It is doubtful if there is any problem in getting the stockholders to

read bank annual reports. The challenge is to make bank reports easy to understand. Then the shareholder's interest in his investment will do the rest.

Much nonsense has been written about the difference of interest between small investors and large investors. One might suppose that small reports are good for small investors and big reports good for big ones! But the fact probably is that the small "investor" who is not interested in a full report is really not an investor at all, but a mere speculator. **Annual reports are not prepared for speculators, but for investors!** A man "trading" in the stock market and having a few shares in his broker's name can get along very well without reading any annual reports.

Certainly a large number of people are not fit to be bank stockholders in the sense of being able to participate in the management of financial institutions. They should either be bondholders or keep their funds in a savings account. At most, they should hold stocks only on the basis of past dividend records. To expect such persons to understand or make use of any annual report worthy of the name is not consistent with realities.

Judgment Criteria

Here is a list of some of the points which the judges in the "Financial World's" Annual Report Contest took into consideration:

(1) Certain mechanical features of the report have become prerequisites. Does the cover design attract attention? Is there table of contents? Is the report well printed and on fair quality paper? Are the lines of the type so long that the eye does not jump from one to the other readily? In the latter case, the page should be narrower, or two columns be used.

(2) Is there an adequate introduction? The president's salutation and message should be on one page and both friendly and unostentatious. The tone of the introduction should be simple, clear, and informative. The narrative section should include some summary statement of highlights (probably including comparative figures on earnings and dividends per share). There should be a "general conclusion."

(3) Somewhere in the report, and preferably following the introduction, there should be a "simplified" statement of the income and expenses of the bank for the last two years. This should take the general form of a report on the amount of money received during the year and the amount of money expended.

(4) It is well to have some charts or graphic treatment indicating the source of gross revenues and what becomes of them. Charts showing the trends of various indices are helpful in reflecting the growth and progress of the community served.

(5) The main items of income and expenses, together with the basic statistical data such as analysis of loans, number of employees and stockholders, and similar figures, should be presented for a 10-year period or longer.

(6) Somewhere in the report, perhaps in connection with the narrative, a definite point should be made of explaining the **changes** that appeared in the income account and statement of condition and what they mean—how they effect dividends.

(7) Now come the accounting details. There should be a good ordinarily-full income statement showing among other things expenses in some detail, including payrolls and depreciation. Similarly, there should be a good ordinarily-full statement of condition which would include reasonable breakdowns. These statements should always be comparative as between the last two years. **This is a must.**

(8) Finally should come such statistics as are required to interpret the growth and efficiency of the bank. These should be comparative for a series of years (at least 10 years and preferably longer if possible).

Social Point of View

One aim of every bank annual report should be to disabuse the public mind of the notion that the stockholders and managers are the only beneficiaries of the enterprise. It must be understood, and emphasized again and again that the most important beneficiaries are: the employees, the depositors, the customers and the public. To this end, the true function and essential need of management is to be stressed. Its function is to organize and direct that combination of capital and labor, which is the business of the bank. Thus, will the public learn that competitive profits are always earned, and are socially desirable.

With the aid of the annual report, many banks are proving that they have a true social point of view. As each management recognizes its part in producing for society, as a responsible part thereof, it will be taking a social point of view. That is the surest way to make private enterprise hold its place in democracy. The sum and substance of the matter is that a good annual report is one that tells the truth, and tells it in a way that the average member of the society can understand it.

No Simple Simon!

But it should be stressed that the use of baby talk, comic strips and innocuous pictures in annual reports should not be used as an escape. Nor should any banker think that such an escape can be found. Bank reports should be simplified, of course, but not "simple simonizes"!

Yes, we can be very thankful that there has been progress in bank annual reporting. Those managements who have gone beyond the call of duty, and the New York Stock Exchange to provide the true facts about their business deserve little credit, because they have been investing simply in a form of insurance that will help to justify the continuance of our American enterprise system.

Those bank managements, which have not taken advantage of the opportunity of "modernized" annual reports, have been negligent of the trust placed in them as the directors of publically-owned institutions. And this charge includes those who have produced elaborate and colorful brochures, without providing the factual data and financial statistics that are basic in determining the value and prospects of an investment. We know, and they know, when an attractively presented annual report fails to provide adequate information.

The small investor and average employee may be misled for a while, but eventually will learn that essential or complete information has been withheld.

The bank annual report in its modernized form is no stop gap or cure-all, but it is proving to be the keystone of the constructive public relations programs of many financial institutions which are serving in the public interest. Properly handled, an attractive and informative bank report can be a dynamic force in fostering a wholesome understanding of a bank among all the elements on which it depends. But equally important it is providing an important influence in attracting new business to the sponsoring bank and developing fresh sources of revenue because of the better understanding of the functions and services of the bank.

White, Weld & Co. Will Admit Partners

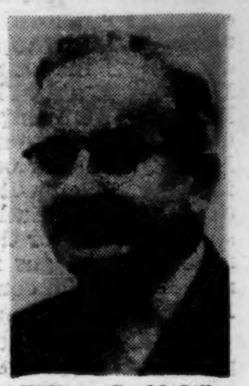
White, Weld & Co., 20 Broad Street, New York City, members of the New York Stock Exchange, on Feb. 1st will admit Paul Hallingby, Jr. to general partnership, and James Jackson, Jr. to limited partnership. Mr. Jackson will make his headquarters in the Boston office.

T. E. Corbett Opens

DUBLIN, Pa.—Thomas E. Corbett is engaging in a securities business from offices on Rickarts Road.

W. R. McGill V.-P. of Wainwright-Ramsey

William R. McGill has joined the municipal consulting firm of Wainwright & Ramsey Inc., 70 Pine Street, New York City, as a Vice-President, it was announced by J. Basil Ramsey, Chairman. Mr. McGill formerly headed the municipal research department of Salomon Bros. & Hutzler and prior thereto headed a similar department at Lehman Brothers.



William R. McGill

He is a member of the Municipal Forum, Municipal Bond Club and the Municipal Analysts Group.

Hardy & Co. to Admit J. Hodes

Hardy & Co., 30 Broad Street, New York City, members of the New York Stock Exchange, on Feb. 1st will admit James Hodes to partnership.

Public Utility Securities

By OWEN ELY

Illinois Power Company

Illinois Power, with annual revenues of $87 million, serves electricity and gas to several sections of Illinois including the cities of Decatur, Danville, Galesburg, Bellevue, Champaign, Granite City, Bloomington and East St. Louis. The various sections are interconnected with the exception of one very small area. Electric sales account for three-quarters of revenues and gas most of the remainder, steam contributing about 1%.

The area is largely agricultural, principal crops being corn, soybeans, wheat, livestock and dairying. Other industries include bituminous coal mining, oil production and refining, steel mills, iron foundries, metal working plants, food processing, manufacture of cement and earth moving equipment, and railroad repair shops. Electric revenues are about 43% residential and rural, commercial 21% and industrial 30%; gas income is 79% residential and space heating.

Generating capacity is about 804,000 kw, and a 200,000 kw unit is scheduled for completion in 1959. The company has benefited in its construction program by a pool operation with two other Illinois utilities. The three companies alternate in installing large new units and receive credits for excess power contributed to the pool, which helps to stabilize earnings.

Construction expenditures are expected to approximate $35 million in 1958 and the same amount in 1959 with a drop to $29 million in 1960. New money requirements in 1958 are estimated at $19 million, plus $9 million if a bank loan is refunded; in 1959 $17 million and in 1960 $8 million. The company may sell $20-30 million bonds in 1958, and equity financing will probably be postponed for several years unless share earnings increase sharply. The equity ratio now around 36.5% might be allowed to drop to 29-30% if necessary.

Expansion in gas space heating seems limited until the company is able to obtain an increased supply of gas. It had expected to obtain 16 million cf. additional gas for the 1958-59 heating season, but this was spoiled by the Memphis decision. Hence they are not taking on new customers, and current gains in sales will be limited to "normal" growth of about 2½% a year. The company has added some propane facilities and now has the largest peak shaving propane facilities of any company in the state. However, the management feels that the summer storage of gas is the best solution and is investigating various potential storage sites.

The company has recently applied to the Illinois Power Commission for an electric rate increase of $4,240,000, and in October asked for a $1,200,000 gas increase. The total amount, after deducting Federal income taxes would be equivalent to about 39 cents a share if received.

Illinois is considered a "fair value" state, hence the company is submitting an exhibit showing cost of reproduction, using a formula permitted in a previous rate case, though so much of the property is new that this would not make a very big difference in the results. The company is asking for a return of 6½% or more on original cost, or about 5.8% on fair value. Normalizing of deferred taxes (resulting from liberalized depreciation) is allowed by the Commission, but the question as to whether the reserve for deferred taxes will be deducted from the rate base has apparently not yet been cleared up. The question is not too important at this stage, but might become so in future years. The company has not as yet asked for fuel adjustment clauses; they did not want to complicate the present rate applications, but might decide to ask for the clauses at some later time.

The company earned $2.42 a share on its common stock in 1946 (after adjustment for the 2-for-1 split in 1957) but has not been able to equal this record in later years. In that year the common stock equity was only 22% but through conversions and issuance of additional stock this was raised to 40% two years later, forcing share earnings down to $1.58 although net income had increased. In the succeeding six years little progress was made, share earnings fluctuating between $1.38 and $1.52. In 1955, however, earnings improved to $1.73 and in 1956 to $2. (About $2.07 would have been earned in 1957 except for equity financing.) Dividends were initiated in 1948 and reached $1.10 during the years 1950-54, having since been raised to $1.50. Some further increase in the dividend appears possible if the rate increase is received.

The company is estimating an increase of over 5% in electric revenues in 1958 and about 2.5% in gas revenues. Interest on construction is estimated at $800,000 in 1958 compared with $244,000 in 1957, because of the 200,000 kw plant going into operation early in 1959. President Allen Van Wyck estimates earnings for 1957 at $1.95 (compared with $2 in the previous year) and for 1958 at $2.01 excluding any benefit from possible rate increases.

The stock has been selling recently around 31 or about 15.4 times earnings; if all the rate increases are received, pro forma earnings would approximate $2.40 and on this basis the PE ratio would approximate 13. The yield is about 4.8%.

Connecticut Brevities

Cuno Engineering Corporation and Olin Mathieson Chemical Corporation have formed a jointly owned subsidiary under the name of Olin Cuno Filter Corp., U.S.A., for the purpose of manufacturing and selling Micro-Kleen filters outside of this country. Cuno is the largest producer of industrial filters in the United States, having plants at Meriden and Stafford Springs, Connecticut. During the past year the Winchester International Division of Olin has acted as export representative of Cuno for all areas outside of the United States and Canada. Olin Cuno is considering several manufacturing sites in Europe. Olin is presently building a new $500,000 plant at Montville, Connecticut, on a 216 acre site for use by its Nuclear Fuels Division. Upon completion of the plant in the spring, about 50 persons will be employed in the initial stages of operation.

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The Connecticut Light and Power Company has recently sold $30 million of 3⅞% Series O First and Refunding Mortgage Bonds through a group of underwriters. The proceeds will be applied to redemption of bank loans currently amounting to about $9.2 million and to pay in part for the 1958 construction program which is estimated to cost about $42.1 million. Among the largest items in this year's budget are completion of a new steam generating unit at the Devon Plant and initial construction work on the proposed generating plant at Norwalk Harbor.

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The **Savings Bank of New Britain** has started construction of a new branch to be constructed in Wethersfield. The new branch, which will be the first savings bank in the town, is scheduled to be completed in May at an estimated cost of $175,000. The building will be constructed of brick and will have a single story, together with a drive-in window, air conditioning, and customer parking facilities. The Bank presently has a branch in Newington, opened in 1956.

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The Sikorsky Division of **United Aircraft Corporation** is presently constructing a 490,000 square foot addition to its plant in Stratford. The new plant will be used primarily for engineering, experimental work, offices, warehouse and storage. It will also house a cafeteria large enough to accommodate 1,000 employees. Upon completion of the addition Sikorsky will have 1,320,000 square feet of plant area.

* * *

Rockbestos Products Corporation has recently purchased two parcels of land totaling thirty-seven acres in North Haven for possible use as a site of an office building and plant. The land is about 3 miles from the Company's New Haven plant. No date for construction of the new building has as yet been established but it is expected that the proposed building will contain about 250,000 square feet of production and office space and will be used to house the Company's present and near term operations. Rockbestos has specialized in production of insulated electrical wires and cables for special or unusual applications. Recently considerable effort has been devoted to research and development on wires and cables for aircraft and guided missiles. The company employs about 500 persons.

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In order to provide for the launching of the atomic-powered submarine Skipjack which is presently under construction the Electric Boat Division of **General Dynamics Corporation** is in the process of building a 124 foot underwater extension to one of its launching ways at an estimated cost of $250,000. The new submarine is heavier than any previous sub built by the company.

$100 Million State Of California Bonds Marketed

A combined syndicate of underwriters managed by The Bank of America N. T. & S. A., with The Bankers Trust Company acting as joint manager, on Jan. 22, purchased an issue of $100,000,000 State of California Veterans' bonds, due Oct. 1, 1959 to 1983, inclusive. The group submitted a bid of 100.000009 for a combination of 2½s, 3s, and 3¼s, representing an average net interest cost of approximately 3.07% to the State.

The bonds, callable beginning Oct. 1, 1978, are being reoffered to yield from 1.65% to 3.15%, according to maturity.

Other members of the offering syndicate include:

The Chase Manhattan Bank; The First National City Bank of New York; The First National Bank of Chicago; Halsey, Stuart & Co. Inc.; Guaranty Trust Company of New York; J. P. Morgan & Co., Inc.; Blyth & Co., Inc.; The First Boston Corporation;

Harriman Ripley & Co. Incorporated; Harris Trust and Savings Bank; Smith, Barney & Co.; Lehman Brothers; Kuhn, Loeb & Co.; American Trust Company, San Francisco; Security-First National Bank of Los Angeles; California Bank, Los Angeles; Drexel & Co.; Glore, Forgan & Co.; Chemical Corn Exchange Bank; C. J. Devine & Co.;

Continental Illinois National Bank and Trust Company of Chicago; The Northern Trust Company; R. H. Moulton & Company; Goldman, Sachs & Co.; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co.; Bear, Stearns & Co.; Merrill Lynch, Pierce, Fenner & Beane; Blair & Co. Incorporated; Weeden & Co.;

The First National Bank of Boston; The First National Bank of Portland, Oregon; The Philadelphia National Bank; Seattle-First National Bank; Equitable Securities Corporation; Stone & Webster Securities Corporation; Dean Witter & Co.; Phelps, Fenn & Co.; White, Weld & Co.; Salomon Bros. & Hutzler;

R. W. Pressprich & Co.; Paine, Webber, Jackson & Curtis; Mercantile Trust Company; Lazard Freres & Co.; Shields & Company; Reynolds & Co.; Crocker-Anglo National Bank; J. Barth & Co.; Ladenburg, Thalmann & Co..

Edw. L. Black Joins John E. Small & Co.

Edward L. Black is now associated with John Small & Co., Inc., 25 Broad Street, New York City, underwriters and distributors of state and municipal bonds.

Mr. Black was formerly manager of the municipal bond department at Winslow, Cohu & Stetson.

NY Security Dealers 32nd Annual Dinner

The New York Security Dealers Association will hold their 32nd annual dinner at the Waldorf-Astoria on Friday, March 7, 1958.

Mitchell, Hutchins Co. To Admit J. L. Swasey

Mitchell, Hutchins & Co., members of the New York Stock Exchange, on Feb. 1st will admit John Loring Swasey to partnership. Mr. Swasey will make his headquarters in the firm's New York office at 1 Wall Street.

Forms Jay C. Roberts Co.

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass. — Jay C. Roberts is engaging in a securities business from offices at 18 Vernon Street under the firm name of Jay C. Roberts & Co.

Mr. Roberts in the past was with Tifft Brothers.

Factors Affecting the Outlook for Banking

J. P. Morgan top officers note decidedly less buoyant business sentiment of recent months but find no lack of confidence for the long run. They recommend "reasonable monetary encouragement" rather than extreme ease or restraint, and believe the time is opportune for lengthening the Federal debt and effectuating reforms in Central Reserve city required reserves.

Stockholders of J. P. Morgan & Co., Inc., received brief comments on the mingled factors affecting the outlook for banking as 1958 opens from their Chairman, Henry C. Alexander, and President, H. P. Davison.

In the Annual Report, the two officers, pointed out that "generally speaking, banking goes as business goes." They add: 'it is not possible to know how pronounced the current slackening in business will become or how long it will last—especially so because of the serious uncertainties in the international situation. But, at the moment, it would appear that the weakening in business performance and business sentiment has not as yet run its full course. The easing tone of business implies a considerable lessening of loan demand — the seasonal rise in the late months of 1957 was much less than normal. Following the change in emphasis by the monetary authorities—somewhat away from anti-inflationary restraint, as evidenced by the lowering of the discount rate in November—greater availability of funds for lending may be expected, with some downward pull on interest rates."

Monetary Policy

"On the other hand, it should be remembered that the recession that has occurred in economic activity has been from record or near-record levels. Inflationary forces, while presently subdued, have by no means been exorcised from the economy. The compelling needs of defense will make it more difficult to achieve a balanced national budget. States and municipalities are planning large construction programs. Clearly there is no call for extreme measures of monetary ease that would open the way to eventual excesses; but, equally clearly, the situation does seem to be one which calls for reasonable monetary encouragement rather than monetary restraint.

"The time may be one of opportunity for meeting several major needs in the fiscal and monetary area. The maturity of the Federal debt should be lengthened, and perhaps funding of substantial amounts can be accomplished; and at more favorable interest rates than have been available for some time. This would make for a healthier monetary climate. It may be a time for effecting needed reforms in the reserve requirements imposed upon member banks of the Federal Reserve System. The general level of required reserves, especially for member banks in Central Reserve cities, is needlessly high, and a reduction could well become an important part of a policy designed to encourage business activity."

Business Sentiment

"A dominant factor in determining the course of economic events will be the element of business confidence—that prime mover of present projects and forward plans. This element, while itself intangible and often influenced by intangible factors, has its basis in hard reality. It cannot be created or maintained, in the absence of a valid basis, by the mere repetition of confident talk or the ignoring of unpleasant news. There is no question that business sentiment in recent months has lost much of its buoyancy; but there is also no question that this sentiment retains complete confidence that the economy—after a period of readjustment from previous excesses, in which it tried to do too much too fast on too much borrowed money — will again go forward in greater strength and more solid growth."

Railroad Securities

New York Central

The extent of the decline in railroad earnings in the past few weeks and the current outlook for the time being was highlighted this week by the action of New York Central in deciding not to declare a dividend for the first quarter of 1958. The board emphasized, however, that the lack of action on the dividend for the first quarter did not necessarily mean a departure from the policy of a "$2 or better in value dividend rate" a year which was started in 1955.

It was further stated in the official release that "in view of the currently depressed national economy, which together with long-standing industry problems has led to a virtual crisis for the railroads, it would be imprudent to take dividend action at this time, despite the company's cash position, which through operating efficiencies remains exceptionally strong when considered against a background of declining business volume."

It was further stated by the board that "developing national and regional economic conditions in 1958—particularly as reflected in carloadings—must be carefully weighed as dividend policy is implemented throughout the remainder of this year.

If railroad freight traffic fails to show improvement in coming months there likely will be further reductions or omissions of dividend payments. Late in 1957 Baltimore & Ohio Railroad reduced quarterly payments for 1958, although stating that depending on earnings consideration would be given later this year to the disbursement of an extra dividend. Erie Railroad was another carrier which took action in the closing months of 1957 to reduce dividend payments.

Unquestionably, the drop in loadings in the final quarter of last year was much sharper than originally anticipated. Now some of the forecasts for the first quarter of this year are being regarded as somewhat optimistic.

The sharpest decline in railroad traffic has been in the Eastern industrial section of the country. In addition to the New York Central, the drop has been reflected in the other two major trunk lines—Pennsylvania Railroad and the Baltimore & Ohio. Earnings of this entire group are expected to be well under the two previous years. The let-down in both steel and automobile production have had an extensive repercussion on a number of roads serving the Mid-West.

Carriers which should feel this let-down in heavy industry, besides the Central, Pennsylvania and B. & O. include: Erie Railroad, Lehigh Valley, Delaware, Lackawanna & Western; New York, Chicago & St. Louis (Nickel Plate); and the Pittsburgh & Lake Erie. In the Mid-West, the Illinois Central probably will suffer the most, although the traffic lag will be felt by a number of other roads serving the Chicago and adjacent district. It will be interesting to follow the movement of iron ore once the Great Lakes are reopened to navigation. Imports of ore at major Atlantic Ports have fallen below expectations. Also export shipments of bituminous coal are lower than in preceding years. The latter has been reflected in the sharp drop in dry cargo freight rates which in the final months of last year dropped sharply and so far this year have demonstrated no signs of recovery.

From a traffic viewpoint the outlook for the rails is not very encouraging for the next few months. Gross revenues likely will not suffer as great a decline due to increased freight rates granted during 1957 and the possibility of additional increases being granted shortly by the Interstate Commerce Commission. Higher rates should not affect the railroads' competitive position to a large extent since the trucks and airlines also probably will follow along the same lines. The barge lines still present a major problem in the movement of mass transportation.

L. L. Moorman Jr. With Nat'l Secs. & Research

L. Lawrence Moorman, Jr., has joined National Securities & Research Corporation as a wholesale representative in Southern Florida, it was announced by Henry J. Simonson, Jr., President. Mr. Moorman was graduated from the Carnegie Institute of Technology and during World War II served as a Lieutenant in the Navy.

Joins Foster & Marshall

(Special to The Financial Chronicle)

PORTLAND, Oreg.—Armand J. Santilli has joined the staff of Foster & Marshall, Southwest Sixth Avenue and Oak Street.

Simonson Now Head of NAIC Committee

Henry J. Simonson, Jr., president of National Securities and Research Corporation, has been elected chairman of the Public Information Committee of the National Association of Investment Companies for a term of one year. The Committee is responsible for an information-education program sponsored by the Association which has 24 closed-end and 142 open-end investment companies with assets in excess of $10 billion.

He succeeds S. L. Sholley, President of Keystone Custodian Funds, who was elected a member-at-large for one year, replacing Joseph E. Welch, Executive Vice-President of Wellington Fund and currently president of the Association.

Also elected as Committee members were Edward Amazeen, Vice-President, Coffin & Burr, Boston, and Chauncey Waddell, Vice-President, United Funds, Inc., Kansas City. Mr. Amazeen succeeds S. L. Sholley as underwriter member of the Committee and Mr. Waddell succeeds Harold K. Bradford, President of Investors Mutual, Inc.

Other members of the Public Information Committee are Dorsey Richardson, Vice-President, Lehman Corp., Hugh W. Long, President, Hugh W. Long Company and Charles M. Werly, trustee, George Putnam Fund.

Mr. Simonson, the new Committee Chairman, is one of the founders of National Securities and Research Corporation and has been President and Chairman of the Board since its inception in 1930.

Mutual Funds

By ROBERT R. RICH

National Output to Rise $13 Billion in 1958

Spurred by rises in consumer spending, government outlays and home building and a changeover from inventory liquidation to accumulation, Gross National Product in 1958 should increase by about $13 billion over last year's, the 18,500 shareholders of Managed Funds, Inc. were told.

According to the Annual Review and Forecast of Slayton Associates, investment counselors to the $48 million mutual fund group, an expected second half recovery this year will lift the 1958 Gross National Product to nearly $450 billion.

A major factor in the predicted rise will be a revival in durable goods purchasing which failed to increase over the past two years while spending for non-durables was rising rapidly.

A likely stimulant to the revival, Slayton Associates contended, is the fact that many of the cars and appliances bought in the 1955 boom are beginning to wear out or become outmoded, while many that were bought on credit are, or will soon be, paid for.

"Moreover," they predicted, "personal incomes will rise about $14 billion over 1957 and about $10 billion of this should be devoted to increased purchases. And housing construction, on the rise once more, will create an even higher demand for durable goods.

"As a result, there is likely to be a gradual revival of consumer interest in them extending into 1959."

The expected shift to increased spending for durables should contribute substantially to a speeding up of the readjustment in inventories currently underway, Slayton Associates said.

"Although the readjustment will probably continue for awhile," shareholders were advised, "it can hardly be expected to become much worse, and the sooner it is completed, the quicker business will be ready to resume its advance."

What with the long-expected drop in capital expenditures finally developing in last year's fourth quarter, "there is little doubt that capital spending will be less in 1958 than in 1957," the Slayton report maintained, but added that last year's projects deferred because of tight money and labor and materials shortages will keep the overall decline "quite small."

On the other hand, Federal spending, sparked by the Sputniks and Soviet missile advances, will be increased, with another $2 billion hike in defense spending. State and local expenditures, following their steady postwar pattern, should add another $3 billion to government outlays in 1958.

Slayton Associates' conclusions: "Although there will continue to be a relatively wide disparity in the movements of different industries, the overall outlook for 1958 is favorable.

"Consumer spending should rise by $11 billion, with increased emphasis on durable goods as the year progresses. Inventory liquidation during the first half of the year should change to inventory accumulation in the second half. Federal, state and local government spending should rise $5 billion and home building, $1 billion.

"These increases of $17 billion will be partially offset by a decline in business capital expenditures of some $3 billion and a reduction in export trade of $1 billion, producing a net increase in Gross National Product of around $13 billion over 1957."

Oberg, Barnes to Offer Fund Courses

A fully accredited college course devoted exclusively to investment companies will be given during the Spring Semester at the Bernard M. Baruch School of Business and Public Administration at the College of the City of New York.

Key representatives of the investment company business will be guest lecturers during the course which will meet Thursday evenings from February 6 through May 20. Dr. Harold S. Oberg, Research Director of the National Association of Investment Companies and a member of the College faculty, will supervise the course. Registration may be made now by mail. In person registration for the two-point credit course, Economics 168, takes place on Thursday and Friday, Jan. 30 and 31.

When the same course was offered previously it attracted one of the largest enrollments in the history of the Baruch school, and marked the first time a course devoted entirely to investment companies had been given for full credit at any college or university.

The subjects covered during the Spring Semester will include characteristics of open-end and closed-end investment companies, management procedures, investment company policies, management appraisal, methods of distribution, taxation, regulation of the industry under Federal and state laws, types of investment company shareholders and estate planning.

New School for Social Research announces a spring course on "Mutual Funds and Investment Companies" beginning Thursday, February 13, at 5:30 p.m. The series will be given by Leo Barnes, chief economist, Prentice Hall, and editor in chief of their "Report on Business."

Among the special topics to be stressed are what types of mutual funds are suitable for various investment targets?—specific evaluations of leading conservative and income mutual funds; spotlighting the best buys in all categories: when should you buy investment company shares?—how many at a time?—portfolio management; investment companies and estate planning; and mutual funds versus insurance companies.

Dean Witter & Co. Will Admit Partners

SAN FRANCISCO, Calif.—Dean Witter & Co., 45 Montgomery St., members of the New York and Pacific Coast Stock Exchanges, on Feb. 1st will admit Edde K. Hays, Ben H. Eaton, William P. Bradford, Philip M. Lighty, G. W. Miller, Thomas W. Witter and William D. Sitter to general partnership, and Seely G. Mudd, Newton P. Frye, Jr., J. Sanford Otis and James M. Pigott to limited partnership.

Robert K. Hancock Opens

(Special to THE FINANCIAL CHRONICLE)

RIVERSIDE, Calif.—Robert K. Hancock is conducting a securities business from offices at 3709-B Arlington Avenue.

Managed Funds' Assets Gain; Sales at Record

Summary

Despite the 1957 stock market decline, total net assets of Managed Funds, Inc.'s 11 classes of mutual fund shares increased by nearly a million dollars during the fiscal year ended Nov. 30.

The fund's 1957 annual report, released Jan. 13, disclosed Nov. 30 assets of $48,293,402, a 2.1% gain over the 1956 record year-end total of $47,297,618.

The increase was enabled largely by record annual sales of $13,560,080, 19.9% higher than the $11,140,550 total of the previous 12-month fiscal period.

Although sales were up sharply, share redemptions were substantially reduced during the year. They totaled $1,809,420, or 14.3% of net sales, compared with $2,382,858, or 21.4%, in fiscal 1956.

The nationally-distributed fund group's ratio of redemptions to year-end net assets was also reduced—from 5% on Nov. 30, 1956 to 3.7% on Nov. 30 of last year.

Along with net sales, Managed Funds shares outstanding also set new records, totaling 17,455,708 on Nov. 30 or 27.8% higher than the 13,656,776 total of a year earlier.

Another high was achieved in the fund's total number of shareholders, which increased 29.3% to 18,750, compared with 14,500 on Nov. 30, 1956.

Net investment income was up to $1,422,623 from the 1956 total of $1,310,330, while realized net profit from investments amounted to $4,542,568 as against $4,375,792 during the previous year.

Managed Funds bettered the growth percentages of the entire mutual funds industry in several categories for 1957:

	% Managed Funds	% Mutual Fund Industry
Incr. in total net assets	2.1%	1.1%
Increase in net sales	19.9	5.4
Ratio of:		
Redemptions to assets	3.7	4.6
Redemptions to sales	14.3	29.6
Incr. in shrhldr. accts.	29.3	13.8

Commenting on 1957 results in St. Louis recently, Managed Funds president Hilton H. Slayton said:

Although we made an excellent showing in comparison with the fund industry as a whole, the fact remains that the industry had higher sales than ever last year and achieved a record low in the ratio of redemptions to year-end assets.

"This achievement is particularly remarkable in view of declining stock prices throughout most of the year and widescale liquidations in the nation's security markets.

"It indicates that our industry is succeeding in its goal of gaining and holding the confidence of the investor, and offers an exciting insight into the future of mutual funds when stock prices resume their long-term upward trend."

In his president's message to shareholders, Slayton said he views prospects for 1958 as "favorable on balance . . . more because of the events of 1957 than despite them."

"The underlying strength of an economy," he said, "can be gauged by the way it reacts to unexpected shocks. In recent months, we have had them in waves . . . These shock waves came one on top of another, yet their effect on our basic economy to date has been mild."

Although the index of business activity has dropped a few points from the first nine months of 1957, Slayton believes increased defense spending and Federal Reserve's more liberal credit policy "assure" a stable economy over the months to come. "However," he added, "the major sustaining forces in our economy are its fundamental growth factors."

Tri-Continental's Assets $303 Million

Investment assets of Tri-Continental Corporation were $303,413,142 at the end of 1957—the second highest year-end total in the 28-year history of the nation's largest diversified closed-end investment company — it was announced by Francis F. Randolph, Chairman and President, in a preliminary statement. They compared with investment assets of $310,999,768 at the close of 1956.

Mr. Randolph said that new funds in the amount of $20,271,176 were received by Tri-Continental for common stock issued upon the exercise of warrants in 1957, but extra dividends declared from long-term gain and changes in tax provisions reduced investment assets by $6,951,508.

Adjusted for these factors, assets per common share declined only 6.9% in 1957, according to Mr. Randolph. He pointed out that this decline was considerably less than the 12.8% decline in common stock prices in general in 1957, as measured by the Dow-Jones Industrial Average.

Assets per common share outstanding declined to $36.42 at Dec. 31, from $45.26 a year earlier, the Chairman disclosed. He attributed a large part of this decline to the exercise of warrants and the issuance of 1,144,566 new shares of common stock at the exercise price of $17.76 each.

Tri-Continental had $16,800 of assets per $1,000 principal amount of debentures outstanding, and $351.96 for every share of its $2.70 preferred stock, at year-end, Mr. Randolph disclosed, compared with $17,220 and $361.32 at the end of 1956.

During the past year, the Chairman said, the Corporation continued to place greater than normal emphasis on investments in senior securities. New funds received from issuance of common stock upon exercise of warrants, he explained, were invested in senior securities and common stocks in proportions which maintained the distribution of investment assets about as it was at the start of 1957. Portfolio common stocks, therefore, made up 75.11% of investment assets at year end, a ratio virtually unchanged from a year earlier.

However, Mr. Randolph pointed out, the holdings of the wholly-owned subsidiary, Tri-Continental Financial Corporation, were changed considerably during the year and, when considered on a consolidated basis with Tri-Continental's portfolio, brought the proportion of common stocks down to 69.77% as compared with $75.38% a year earlier.

Taking into account the holdings of Tri-Continental Financial, the Chairman said, net cash and portfolio senior securities had a total of $91,730,220, equivalent to 156% of the $58,597,000 representing the total claim against assets of Tri-Continental's own debentures and preferred stock.

Purchases of senior securities during the past year were concentrated in bonds, Mr. Randolph disclosed, and some shifts were made into bonds from preferred stocks. Moreover, shifts were made in bond holdings in an effort to take advantage of the, at times, unusually wide differential in rates of return favoring new offerings over issues which had been outstanding for some time and were well-distributed among investors.

The tight money market made it possible during most of 1957 to buy bonds on a relatively generous yield basis and often with protection against early redemption or refunding. The improvement in bond prices that accompanied easing in the money supply in the final quarter helped bolster the value of Tri-Continental's investment assets.

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks found little in the news that called for decisive action and, except for dour action by some dividend casualties, the list lolled around for the most this week, holding just below the November recovery peak which so far has been a potent barrier to upside progress.

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Rails, which had demonstrated a bit of an ability to do better when the industry was airing its grievances before a congressional group, ran out of steam and were chilled a bit when New York Central omitted payment of any cash dividend for this quarter. Offsetting it, however, was the ability of Nickel Plate not only to cover its payments handily by 1957 earnings but to retain the 50-cent quarterly which represented a yield of better than 10% a few weeks back when the stock was selling below $20.

New Issue Enthusiasm

A cheering note was the enthusiastic reception given two mammoth financings—the $718,300,000 one of American Telephone and the $228,000,000 stock offering of Royal Dutch. Instead of weighing on the market price of the issues involved, these promoted high activity and much arbitrage along with what appeared to be good demand. The Telephone convertible debentures jumped to around a 25% premium in when-issued dealings which was the best start for any of the eight convertible issues brought out since War II.

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What demand was around was highly selective and, despite the fact that the averages alternated between minus and plus, for more than half a dozen sessions in a string, more issues advanced than declined and the new highs outpaced the new lows by a good margin for a similar number of trading days. While the industrial average was struggling to breach the 449 area that stalled the November recovery, some issues were making steady progress nevertheless, notably the utilities and tobaccos which were prominent on the lists of new highs.

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Autos were far from being brighter items in the list, except for American Motors which not only featured on high activity but also made the new highs lists a couple of times. There wasn't much specific to account for it, the tales running the range from high acceptance for its Rambler models as the new popularity for smaller cars spread out, to tales of a change in management that were fostered by the admittedly large holding of the stock by Louis E. Wolfson.

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The cut in margin requirements, announced late last week, kept hopes high that more concrete steps to easier money are inevitable—a new discount rate trim was started by Philadelphia on Tuesday—kept things buoyant. The offsetting factors were a sprinkling of dividend cuts and omissions plus the fact that the flood of discouraging earnings reports is still to come.

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In the case of individual issues, the list was replete with items that were at or assuming a "bargain" items status including the finance companies where Pacific Finance and Commercial Credit were available at more than a 6% yield and C.I.T. Financial which is the largest independent in the business but still showed a yield of slightly over 5% at recent prices.

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Foods were also in mild demand, notably General Foods which was among the issues posting new tops for more than a year through generally desultory markets. The stock held in a 10-point range until it started nudging higher recently which is placid action considering the swings the general market has had. The acquisition of the S.O.S. Co. with its scouring pads and other dishwashing aids was acquired for stock valued at around $17 million and—based on 1956 results—will boost the earnings potential $2 million or more.

* * *

Like General Foods, General Mills has been available at a better than 4% return. Unlike it, its brighter future stems from internal growth, including new products for consumers and industry and a couple of new plants that widen its productive horizon. Also unlike General Mills, it hasn't been intent on ploughing ahead to new highs.

* * *

National Tea, with a yield running well into the 4% bracket, has the distinction of having been able to lift sales each year in the last decade, its expansion being a combination of acquisitions and self-developed new locations. And there are no plans to stop yet since more than 100 new units are scheduled for this year and early next year plus a score of replacements. It gave the company the fat total of 883 units in operation at the end of next year with more than 1,000 on the expansion program by early 1959.

High-Yielding Rails

While the rail group was as severely depressed as any other major one, and a few market analysts were talking of bargains in the area, enthusiasm was hard to generate even in the case of Chesapeake & Ohio where the $4 dividend has been well covered so far and the company officially indicated that it was in no jeopardy for this year. The issue did work half a dozen points above its 1957-1958 low but was still hovering in an area where the return was around 7¾% on that rate. This could be considered a bargain level for a dividend that is secure so far. One tabulation of projected earnings for this year still credits the C. & O. with the ability to earn around $6 a share even if the selective freight increase pending is not granted.

The Neglected Department Stores

Department stores comprise a group that has enjoyed little general popularity all through the bull market despite higher earnings trend in recent years. The shares, consequently, are among the higher yielding ones around with a good sprinkling showing 7% or more. Like many other lines, the stores have been feeling the profit-pinch of higher costs with the better results diluted a bit by price inflation.

* * *

Specialty stores, likewise, offer high yields, including W. T. Grant which has one of the better records around including profitable operations each year since it was founded and has paid consecutive dividends for half a century without a break. Marketwise, it has yet to stretch its 1957-58 range to as much as 10 full points and has been hovering lately closer to its low than to the peak price.

* * *

Oils had few new friends, the statistical status of the industry showing no great improvement with inventories continuing high. However, there were still some delving through the list for issues that had been well deflated, like Ohio Oil available at a 5½% return after its retreat from nearly $45 to below $30 recently.

[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]

Forms Edw. Wagner Co.

Edward Wagner & Co. has been formed with offices at 79 Wall Street, New York City, to engage in the securities business. Partners are Murray Edward Wagner and Molly Wagner. Mr. Wagner was formerly a partner in Wagner & Co.

Continuing Bear Market to Offer Investment Opportunities, Hooper Maintains

Market analyst, predicting October lows will be violated, warns against "Bargain Sales" by holders.

Stocks went too high in the recent bull market, and probably will go too low in the present bear market, in the opinion of Lucien O. Hooper, market analyst for W. E. Hutton & Co. Speaking before the noon forum of the New York Society of Security Analysts, Inc., on Jan. 14, Mr. Hooper said he expected the October low in the stock averages to be violated before a new bull market gets under way. He warned against placing too much confidence in what Washington will do to prevent the cycle from running its course.

Lucien O. Hooper

"This bear market is orthodox insofar as it is accompanied by lower prices for raw materials, an accelerating decline in business, a sharp drop in orders for capital goods, lower money rates, dividend cuts and omissions, and less plentiful jobs for labor. It is unlike most bear markets of the past in that many real investment portfolios still are held at a profit rather than at a loss, in that most people own their stocks outright rather than on margin, in that Government spending contributes much more to the economy, in that labor costs are inflexible, and on account of the big institutional interest in equities," said Mr. Hooper.

"I am of the opinion that there is nothing qualitatively wrong in the forecasts of reputable economists that the 1960's will be a period of great growth and prosperity, even though the estimates often 'cut it too fine' so far as details are concerned," he continued. "The trouble is that economic man still sins in spite of all the regulative paternalism with which he has been surrounded; and when he sins, he must make retribution. If the economy makes full penance now, the probability of great things in the 1960's is measurably increased. If this turns out to be a 'half way' adjustment, on the other hand, the prosperity of the 1960's may not be as great."

"Bear markets, so far as the investor is concerned, should be regarded as opportunities, not as disasters. It is strange that stock buyers should consider bargain sales as something to be deplored. Shrewd women shoppers gloat over January sales," Mr. Hooper concluded.

Join Copley Staff

(Special to THE FINANCIAL CHRONICLE)

COLORADO SPRINGS, Colo.—Walter B. Hartman, William D. Heller, Richard A. Longnecker and Robert E. Thornton have joined the staff of Copley and Company, Independence Building.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Appointments of William Braden, J. Arthur McKaig and William H. McMaster Jr., as Vice-Presidents were announced Jan. 17 by **Guaranty Trust Company of New York.** All were formerly Second Vice Presidents.

Justin A. McCarthy and Martin F. Shea Jr. were advanced to Trust Officers from Assistant Trust Officers.

Named Second Vice-Presidents were John J. Moran, Regis E. Moxley, James F. O'Rorke, Edward C. Pedersen and James L. Rudolph. Other appointees include: C. Robert Safford, Investment Officer; David Gibson, Grainger S. Greene, Guy C. Hamilton, Lucien R. Shattuck Jr. and Bernhard C. Wittschen, Assistant Trust Officers; William E. Ellson and C. Chesney McCracken, Assistant Treasurers; and Alfred J. Doremus and William E. J. McGraw, Assistant Secretaries.

* * *

The election of William H. McGraw as an Assistant Treasurer of **Manufacturers Trust Company, N. Y.** was announced by Horace C. Flanigan, Chairman of the Board.

Mr. McGraw joined Manufacturers Trust Company in 1952.

Mr. McGraw will handle the bank's business in Western Pennsylvania.

* * *

The election of John L. Riegel as Chairman of the Grand Central Area Advisory Board of **Chemical Corn Exchange Bank, N. Y.** was announced by Harold H. Helm, Chairman of the Bank. Mr. Riegel, who succeeds the late O. Parker McComas, is Chairman of the boards of Riegel Paper Corporation and Riegel Textile Corporation.

* * *

Harold H. Helm, Chairman, announced the election of John E. Brent and Sigmund G. Warburg to the Advisory Board on International Business of **Chemical Corn Exchange Bank, N. Y.**

* * *

The acquisition of **Colonial Trust Company, New York,** by Venezuelan investors was completed Jan. 17 when the Venezuelan group acquired more than 94% of the stock of the bank from Chesapeake Industries, Inc. The corporation became the owner of Colonial, a commercial bank with approximately $71,000,000 in deposits, in December, 1954, by an exchange of stock.

The bank's management will continue the same policy of operation, in accordance with regulations of the New York State Banking Commission and the Federal Reserve System, of which it is a member. The purchasers also announced that William C. MacMillen, Jr., President of Chesapeake, will continue to serve as President of Colonial.

A total of 24,000 or 40%, of the shares were acquired by Valores Comerciales e Industriales (Vacoinca), an important Venezuelan concern with assets of 45,000,000 bolivars, of which Mr. Salvatierra is Chairman and Mr. Brillembourg Executive Vice-President. A block of 18,000 shares, or 30%, went to C. A. El Impulso, a Venezuelan corporation which owns a 55-year-old newspaper, one of the nation's oldest. It was represented by Dr. Carmona.

The remainder of the shares were acquired personally by Mr. Senior, the Drs. Benacerraf and Dr. Belloso.

Dr. Benacerraf was made a director at the annual meeting.

COLONIAL TRUST COMPANY, NEW YORK

	Dec. 31,'57	Mar. 14,'57
Total resources	$81,829,568	$74,569,191
Deposits	70,391,054	68,016,925
Cash and due from banks	20,166,532	17,912,354
U. S. Govt. security holdings	16,840,254	18,429,509
Loans and discounts	33,217,037	33,733,780
Undivided profits	922,820	335,629

* * *

At its regular meeting of the Board of Trustees on Jan. 15, **Union Dime Savings Bank, New York,** gave special recognition to Frederick H. Ecker for his 60 years of service as a trustee of the bank.

Mr. Ecker was elected to the Union Dime board on Jan. 19, 1898 and has served without interruption since that date. In 1900 Mr. Ecker was elected a Vice-President of the bank, a position he still holds.

* * *

Glover Beardsley, President since 1940, was elected Chairman of the Board of the **Harlem Savings Bank of New York, New York,** and Edward J. Pierce was elected to the presidency, at the most recent meeting of the Board of Trustees.

Mr. Beardsley joined the bank as a Trustee in 1935.

Mr. Pierce joined the bank as Executive Vice-President on Jan. 1, 1941, and was elected a Trustee two weeks later.

The Harlem Savings Bank was established in 1863, and now has five offices with total assets of over $380,000,000.

* * *

John F. Hamlin, President of Douglas L. Elliman & Co. Inc., has been elected a trustee of the **Excelsior Savings Bank, New York,** as announced by Willard F. Place, President.

* * *

Earl Harkness, President and Chairman of the Board of the **Greenwich Savings Bank, New York,** announced the election of Donald H. Aiken, Assistant Vice-President, as Treasurer of the bank. Mr. Aiken has replaced William F. Knox, Vice-President and Treasurer, who retires the end of the year after 50 years of service. Mr. Knox joined the Greenwich Savings Bank as a clerk in 1909.

Mr. Harkness also announced that William H. Gruler, Jr., Assistant Controller since 1934, has been appointed an Assistant Vice-President. In addition, four new officers have been appointed, among them Mrs. Lillian G. Schoen, Assistant Secretary.

The other new officers are George L. Brauer, appointed Assistant Treasurer, Frederick V. Gillam, Jr., and Roland Coluccio, both appointed Assistant Controllers.

* * *

H. A. Sawyer has been elected a director of the Grand Central Area Advisory Board of **Chemical Corn Exchange Bank,** New York, it was announced on Jan. 23 by Harold H. Helm, Chairman of the Bank.

* * *

Approval was given by the New York State Banking Department to increase the Capital Stock of the **Hanover Bank, N. Y.** from $36,000,000 consisting of 3,600,000 shares of the par value of $10 each, to $40,000,000 consisting of 4,000,000 shares of the same par value.

* * *

The New York State Banking Department gave approval to the **Empire Trust Co. N. Y.,** to increase the Capital Stock from $5,200,000 consisting of 104,000 shares of the par value of $50 each, to $5,408,000 consisting of 108,160 shares of the same par value.

* * *

George F. LePage, Executive Vice-President, was elected President of the **Corporation Trust Co., N. Y.,** to succeed Oakleigh L. Thorne, who was elected Chairman of the Board. William R. Watson retired as Board Chairman but will remain as a Director.

* * *

Richard L. Bower, Assistant Vice-President of the **Bowery Savings Bank of New York, died** Jan. 17 at the age of 60. Mr. Bower has been associated with Bowery for twenty-two years.

* * *

Empire City Savings Bank, N. Y. elected Dr. John Allen Krout to the Board of Trustees.

* * *

Charles E. Ashdown, Henry J. Dengel and Curtis R. Langdon were elected Vice-Presidents of the **Meadow Brook National Bank, West Hempstead, N. Y.**

* * *

The Bank of North America at the annual stockholders' meeting elected Assemblyman Joseph F. Carlino a director.

* * *

THE MEADOW BROOK NATIONAL BANK OF FREEPORT, NEW YORK

	Dec. 31,'57	Dec. 31,'56
	$	$
Total resources	337,005,691	289,325,636
Deposits	306,408,968	263,701,803
Cash and due from banks	31,688,227	32,737,053
U. S. Govt. security holdings	84,930,123	75,496,064
Loans and discounts	139,188,564	120,732,927
Undivided profits	2,726,430	2,537,823

* * *

The Osborne Trust Co., of East Hampton, N. Y. elected E. Monroe Osborne a Vice-President and Trust Officer.

* * *

Mr. Harold J. Marshall, President of **National Bank of West chester,** announced on Jan. 17 the promotion of five officers of the bank, and the election of two additional officers. The action was taken at the organization meeting of the Board of Directors, immediately following the bank's Annual Shareholders Meeting, Jan. 16.

Named Senior Vice-President was Martin D. Ryan, formerly Vice-President and Senior Loan Officer. Promoted from Assistant Cashier to Assistant Vice-President were: Arthur P. Higgs, David J. Mills, Walter F. Smercak and James R. Stewart. Mrs. Louise S. Bennett was elected Assistant Cashier, and Daniel E. Brown was elected Assistant Auditor.

A veteran of many years of banking, Mr. Ryan in 1957 completed 25 years with National Bank of Westchester, having started with the former **Peoples National Bank and Trust Company of White Plains** in 1932. Previously he worked with the then **National City Bank of New York,** the former **Bank of America in New York City** and the former **Murray Hill Trust Company** there.

Mr. Higgs was formerly employed by the **Yonkers Savings Bank,** and the former **Tarrytown National Bank and Trust Company** of which he was Cashier at the time of its consolidation into National Bank of Westchester. He is presently Manager of the bank's Station Plaza Office in Tarrytown.

Mr. Mills began his business career with the former **Peoples National Bank and Trust Company of White Plains,** and advanced from runner, through head teller, Manager of the bank's Valhalla Office to Assistant Cashier.

Mr. Smercak was originally employed with the former **Tarrytown National Bank and Trust Company,** as Assistant Cashier. Mr. Smercak is in National Bank of Westchester's Mortgage Department, in charge of its administration and operation.

Mr. Stewart came with National Bank of Westchester in 1957 from

the Wilmington Trust Company. He is in charge of NBW's Central Bookkeeping Office in New Rochelle.

Mr. Brown was formerly employed by the **New York Trust Company**, as Auditor and Assistant Manager of its Rockefeller Center Office.

* * *

The resignation of Julian F. Detmer as a Director of **The County Trust Company, White Plains, N. Y.**, was announced Jan. 17 at a Board of Directors meeting. His son, Eugene J. Detmar, was elected to succeed him.

In other business, directors agreed to distribute on Feb. 21 the 5% stock dividend approved by stockholders recently. It will go to stockholders of record at the close of business on January 31 at the rate of one new share for each 20 held, and will increase the number of shares outstanding to 1,467,234. All present officers of the bank were re-elected by the board.

In 1928, Mr. Detmer and Joseph E. Hughes, present Chairman of **The County Trust Company**, were among the founders of **The Washington Irving Trust Company in Tarrytown, N. Y.** Mr. Detmer served as Board Chairman of the bank which, in 1947, merged with **The County Trust Company.**

* * *

THE MASSENA BANKING AND TRUST COMPANY, MASSENA, N. Y.

	Dec. 31,'57	Dec. 31,'56
Total resources	\$10,603,826	\$9,002,097
Deposits	9,778,502	8,217,192
Cash and due from banks	1,442,206	1,129,592
U. S. Govt. security holdings	3,985,068	2,899,145
Loans and discounts	660,753	473,028
Undivided profits & reserves	102,443	104,882

* * *

The County Trust Company, White Plains, N. Y., was given approval by the New York State Banking Department to increase the Capital Stock from \$6,986,825 consisting of 1,397,365 shares of the par value of \$5 each, to \$7,336,170 consisting of 1,467,234 shares of the same par value.

* * *

The People's Bank for Savings, New Rochelle, N. Y., elected Joseph F. McCoy President to succeed Carlton B. Allen who has been elected Chairman.

* * *

Albert F. Martin, Jr., has been elected President of the **Schenectady Savings Bank, N. Y.,** to succeed Kilgore MacFarlane, who has been elected President of the **Buffalo Savings Bank, N. Y.**

* * *

Manufacturers-Central National Bank of Lynn, Lynn, Mass. with common stock of \$500,000, was merged with and into **Essex Trust Company, Lynn, Mass.,** under the charter and title of "Essex Trust Company," effective Dec. 31, in accordance with the statutes of the United States and the laws of the Commonwealth of Massachusetts.

* * *

THE FAIRFIELD COUNTY TRUST COMPANY, STAMFORD, CONN.

	Dec. 31,'57	*Oct. 11,'57
Total resources	\$111,213,834	\$71,417,549
Deposits	101,783,791	65,256,385
Cash and due from banks	14,527,393	6,736,727
U. S. Govt. security holdings	31,220,545	19,135,844
Lonas and discounts	53,557,861	37,614,417
Undivided profits	908,471	985,412

*Oct. 11 figures are for The Stamford Trust Company.

* * *

Directors of the **Connecticut National Bank, Norwalk, Conn.,** and the **City National Bank of South Norwalk, Conn.,** have approved plans for a merger. Under the plan, holders of the City National would receive 30 shares of the Connecticut National for each share held.

* * *

The First National Bank & Trust Co. of Paterson, N. J., elected Sylvan Geismar to the Board.

* * *

Shareholders of the **First National Bank of Jersey City, N. J.** have approved a proposal of the Board of Directors to increase the bank's common stock to 143,000 shares through the issuance of 13,000 additional shares in the form of a 10% stock dividend. Kingsbury S. Nickerson, President, said that 94.1% of the outstanding shares voted in favor of the proposal. After approval by regulatory authorities, the stock dividend will be paid on Jan. 30, to shareholders of record Jan. 14. This is the fourth year in which the bank has declared a stock dividend. The 1956 stock dividend was 3.17%.

* * *

Bayard H. Faulkner was named to the Board of Managers of **The Montclair Savings Bank, Montclair, N. J.** on Jan. 14 at the annual meeting.

* * *

The shareholders of the **First National Bank of Toms River, N.J.** at the annual meeting on Jan. 14 approved the declaration and payment of a stock dividend of 6,000 shares of the common capital stock of \$5 par value on Jan. 31 to shareholders of record Jan. 14 on a basis of one share of new stock for each 31 shares held.

In addition they approved the sale of 6,000 shares of common capital stock of \$5 par value at \$30 a share. Rights will be mailed to all shareholders on March 17 giving each shareholder the right to buy one new share at \$30 a share for each 32 shares held on Feb. 28 and payment must be made on or before April 15.

The payment of the stock dividend and the sale of the additional shares will increase the common capital stock from \$930,000 to \$990,000. It will also increase the surplus fund of the bank's from \$1,950,000 to \$2,250,000. After the payment of the stock dividend and the sale of the new shares the capital, surplus, undivided profits and reserves of the bank will be approximately \$4,026,657.21.

The payment of the stock dividend on Jan. 31 represents the 14th annual payment of stock dividends each year from 1946 to date.

* * *

Frank D. MacFadden, 74, retired Vice-President of the **Fidelity Union Trust Co., Newark, N. J.,** died Jan. 15.

* * *

The City National Bank and Trust Co., of Hackensack, N. J. elected Samuel Hekemian and Benjamin Wasserman to the Board of Directors.

* * *

Michael G. Napoli and James C. McClave have been elected Directors of the **United National Bank of Cliffside Park, N. J.**

* * *

The Bogota National Bank, N. J., elected John J. Dolan a Director.

* * *

Lester A. Ahlers has been elected a Director of the **First National Bank of Park Ridge, N. J.**

* * *

Drexel & Co. is underwriting the new issue of 11,000 shares of \$10 par value capital stock of **The Delaware County National Bank of Chester, Pa.** The bank is offering its shareholders the right to subscribe for the new shares at the rate of one new share for each 10 shares of capital stock held of record at the close of business Jan. 14, together with a conditional privilege, subject to allotment, to subscribe at \$30 a share for additional shares not subscribed for through the exercise of rights.

The subscription price of the new shares to shareholders is \$30 per share. Drexel & Co. has agreed to purchase any unsubscribed shares and may offer the shares both during and after the subscription period.

Proceeds from the sale of the new shares will strengthen the capital funds of The Delaware County National Bank and permit it to meet the expanding demand for loans and other banking services. Of the \$330,000 to be received by the bank from the sale of the additional stock, \$110,000 will be credited to capital stock and \$220,000 to surplus.

The Delaware County National Bank began business in 1814 as a state bank under the name of **The Bank of Delaware County.** Of the approximate total of 40 banks organized in Pennsylvania during 1814 under the omnibus bank bill of Pennsylvania, the bank is believed to be one of seven surviving institutions having continuity in the banking field. The present title was adopted upon receiving a charter under the National Bank Act of 1864.

* * *

The common capital stock of the **Fayette National Bank and Trust Company of Uniontown, Pa.** was increased from \$300,000 to \$400,000 by a stock dividend and from \$400,000 to \$500,000 by the sale of new stock effective Jan. 9. (Number of shares outstanding—25,000 shares, par value \$20.)

* * *

BROOKLINE SAVINGS AND TRUST COMPANY, PITTSBURGH, PA.

	Dec. 31,'57	Dec. 31,'56
Total resources	\$32,162,506	\$27,330,859
Deposits	27,487,027	23,474,693
Cash and due from banks	3,075,406	2,688,893
U. S. Govt. security holdings	4,675,140	4,675,447
Loans and discounts	19,843,672	15,773,816
Undivided profits	474,662	408,973

* * *

FIRST NATIONAL BANK IN GREENSBURG, PA.

	Dec. 31,'57	Dec. 31,'56
Total resources	\$25,805,330	\$23,525,000
Deposits	23,093,349	20,985,000
Cash and due from banks	4,203,142	3,421,000
U. S. Govt. security holdings	9,884,509	9,132,000
Loans and discounts	10,788,518	10,381,000
Undivided profits	429,041	523,000

* * *

Sidney B. Congdon, Chairman of the Board, of **The National City Bank of Cleveland, Ohio,** announced that at the annual meeting of the bank's shareholders all directors were reelected and Wade H. Harris also was elected to tht board of the bank.

Shareholders approved a shift in the annual meeting from the second Tuesday in January to Jan. 20 or the first full business day thereafter effective next year.

* * *

Cleveland Trust Co., Cleveland, Ohio, elected B. H. Brainard, T. E. Clutterbuck, C. J. Sponseller and D. H. Conkle, Vice-Presidents. H. Chapman Rose, former Under Secretary of the Treasury, and H. Stuart Harrison were elected to the Board.

* * *

The Board of Directors of **Lincoln National Bank and Trust Company of Fort Wayne, Ind.** announced the election of Chas. H. Bueschiing as Chairman of the Board and Chief Executive Officer, Earl G. Schwalm as President and Clyde E. Flowers as Senior Vice-President.

* * *

At the annual meeting of the Board of Directors of **The First National Bank of Chicago, Ill.,** held Jan. 14, announcement was made by Homer J. Livingston, President, of promotions in the offical staff and election of new officers.

Raymond H. Becker, Vice-President, was elected Vice-President and Cashier to succeed Elmer E. Schmus, who retired on pension December 31. Kenneth G. Morton, Assistant Vice-President in the Trust Department, was elected Vice-President.

Walter A. Grau, Harlow W. Gregory, Frank G. Herman, Joseph A. Smole and H. John Wegener, formerly Assistant Cashiers, and William K. Stevens, Trust Officer, were elected Assistant Vice-Presidents; Milton J. Hardacre, Jr., Otto F. Haas and Robert E. Taylor, Assistant Trust Officers, and Arthur L. McKee, Assistant Secretary, were elected Trust Officers; Irving E. Carlson, Assistant Auditor, and Gabriel Ditore, Assistant Manager, were elected Assistant Cashiers; and Clarke C. Stayman, Jr., Assistant Cashier, was elected Assistant Manager of the Real Estate Loan Department.

The bank's staff was augmented by the election of 16 new officers. J. Henning Anderson, Robert Carne, Mel C. Carney, William D. Clay, A. Thomas Davis, Willard A. Heckendorf, Carl L. Johnson, Kurt E. Kleindienst, Raymond H. Lundberg, Norman W. Raedle, Lewis H. Schreiber and John K. Tull were elected Assistant Cashiers, and Richard A. Andersen, Assistant Trust Officer; Harry J. Fisher, Benjamin C. Homola and Orville H. Strong were elected Assistant Secretaries.

Ray H. Matson, Vice-President, succeeds Elmer E. Schmus, who retired Dec. 31 as head of Division D, and Wyndham Hasler, Vice-President, is head of Division E as successor to Clarence E. Carlson, who also retired at the end of the past year.

* * *

It was announced at the annual meeting of the stockholders of the **Northern Trust Company, Chicago, Ill.,** that John A. Barr was elected to fill the vacancy created by Sewell L. Avery's retirement from the Board of Directors. All other directors were reelected.

The stockholders expressed their gratitude and appreciation for Mr. Avery's loyalty and devotion to the interests of the bank and for his 38 years of distinguished service as a director.

* * *

The First National Bank, Chicago, Ill., elected Robert S. Ingersoll, President of Borg-Warner Corp., Brooks McCormick, Executive Vice-President of International Harvester Co., and Frank O. Prior, President of Standard Oil Co. of Indiana, to the Board.

* * *

Following the annual meeting of its Board of Directors recently, **The Northern Trust Company, Chicago, Ill.,** announced the following list of staff promotions and new officer elections: Kenneth P. Kinney, Second Vice-President; William B. Cunnyngham and Joseph J. Regan, Vice-Presidents; David W. Dangler, Charles L. Kaufmann, William G. Ericsson, Willett N. Gorham, Robert C. Nihan, Kenneth J. Bushman, and Allen J. Burris, Second Vice-Presidents.

* * *

At the annual meeting of **La Salle National Bank, Chicago, Ill.** William C. Schumacher, Executive Vice-President and a director of International Harvester Company, was elected a director. He will take the place of Robert P. Resch who has retired. John C. Wright, Chairman, also announced the re-election of all other former directors.

* * *

The Mercantile National Bank, Chicago, Ill., elected J. Ward Severs Chairman, and James G. Roseland, Senior Vice-President, was elected Chief Executive Officer.

* * *

R. O. Byerrum, President of the **University National Bank, Chicago, Ill.,** announced the election of Robert K. Burns to the Board of Directors.

* * *

The American National Bank & Trust Co., Chicago, Ill., elected Ben W. Heineman, Chairman of the Chicago & North Western Railway, a director, increasing the Board membership to 15.

* * *

William Slach was elected Executive Vice-President of the **Mutual National Bank, Chicago, Ill.**

* * *

Archibald G. Bush, was elected a Director of the **American National Bank, St. Paul, Minn.**

The Eighty-Fifth Congress And Federal Securities Laws*

By THOMAS G. MEEKER†

General Counsel, Securities and Exchange Commission

General Counsel of SEC outlines some of the proposed securities legislation now pending in Eighty-Fifth Congress. Some of the specific proposals discussed by Mr. Meeker include: (1) Section 3(b) amendment to increase exemption's maximum limit to $500,000; (2) tightening up civil liability for untrue statements and omissions of material facts; (3) preventing filing a misleading registration and then withdrawing it when SEC action results, and (4) SEC specific reaction to Fulbright and Capehart Bills.

Under the Federal securities laws, the Commission is obligated to the Congress to make such legislative recommendations as the Commission may from time to time deem desirable in the public interest.[1] Last summer, the Commission submitted to the Senate Committee on Banking and Currency and the House Committee on Interstate and Foreign Commerce, which have the duty of exercising watchfulness over the execution of the federal securities laws[2], proposals to amend an aggregate of 87 provisions of the Securities Act of 1933, the Securities Exchange Act of 1934, the Trust Indenture Act of 1939, the Investment Company Act of 1940, and the Investment Advisers Act of 1940. These proposals were introduced in the Senate by Senator Frank J. Lausche, Chairman of the Subcommittee on Securities of the Committee on Banking and Currency,[3] and in the House by Representative Oren Harris, Chairman of the Committee on Interstate and Foreign Commerce.[4] The Senate bills were referred to the Committee on Banking and Currency and the House bills to the Committee on Interstate and Foreign Commerce. Although the press of other business prevented either Committee from considering the Commission's proposals during the remainder of the first session of the Congress, I am hopeful that hearings will be scheduled early in the second session.

Thomas G. Meeker

†An address made by Mr. Meeker before the American Society of Corporate Secretaries, Chicago, Ill., Jan. 8, 1958.

These proposals are the culmination of an extensive analysis of the Commission's experience in administering the federal securities laws. They are designed to strengthen the safeguards and protections afforded the public by tightening jurisdictional provisions, by correcting inadequacies in the securities laws revealed in their administration, by facilitating criminal prosecutions and other enforcement activities, and by clarifying ambiguities to make it easier for those subject to the securities laws to know precisely their rights and obligations thereunder.

While the Commission was formulating its legislative program, the Senate Committee on Banking and Currency and the House Committee on Interstate and Foreign Commerce authorized it to discuss its proposals with representatives of the securities industry and other interested members of the public. Accordingly, one public and several informal conferences were held at which interested persons were heard. Thereafter, the Commission reexamined its program in the light of the comments received at and as a result of these conferences. The Commission's proposals thus reflect many ideas of the regulated as well as those of the regulators.

The amendments in which I think you will be primarily interested are embodied in the proposals under the Securities Act.[5]

Maximum Exemption

Section 3(b) of the Securities Act is now and was during the 84th Congress the subject of considerable congressional interest. As you know, this provision supplies a conditional exemption from registration for securities offerings not in excess of $300,000. The Commission's program contains a proposal to amend this exemptive provision to increase the maximum limit to $500,000.[6] The Commission believes that this is necessary in order to facilitate access to the public capital markets by more small and medium-sized businesses.

*The Securities and Exchange Commission, as a matter of policy, disclaims any responsibility for any private publication by any of its employees. The views expressed herein are those of Mr. Meeker and do not necessarily reflect the views of the Commission or of the author's colleagues upon the staff of the Commission.

Substantially similar proposals have also been made by Senator Edward Thye[7] and Senator John J. Sparkman.[8] After conducting hearings on the Thye and Sparkman bills, at which the Commission appeared in their support, the Senate Committee on Banking and Currency favorably reported its own bill,[9] which is essentially identical with the Thye, Sparkman and Commission proposals. The Senate passed this bill[10] and sent it to the House where it is now under consideration by the Committee on Interstate and Foreign Commerce.

A further proposal which would affect Section 3(b) offerings is the Commission's suggested amendment to Section 12 of the Act.[11] This proposal would add a new subsection providing for clear civil liability on the part of those responsible for untrue statements of, or omissions to state, material facts in any document filed with the Commission in connection with a Section 3(b) exempt offering.

Section 11 of the Act now provides civil liability in the event of material misstatements or omissions in a registration statement, and Section 12(2) contains civil liability provisions which are applicable to the sale of securities generally, regardless of whether they are registered. Section 12(2) provides that "any person who * * * offers or sells" a security by false or misleading statements is liable "to the person purchasing such security from him." However, under this provision, where an issuer sells to a dealer and the dealer in turn sells to an investor, it is not clear that the investor can go beyond his immediate seller (the dealer) and recover from the issuer—who may be the person actually responsible for the misleading information used in the sale.

The Commission believes that persons who sign documents filed with it containing untrue statements or omissions, persons who make or cause to be made untrue statements or omissions, controlling persons and the issuer should all be civilly liable to any person (not knowing of such untruths or omissions) who receives or is shown copies of such documents in connection with his purchase of securities, or who relies on such untrue statements or omissions in connection with his purchases.

As to the issuer, there should be no defense of lack of knowledge of any untruth or omission in a document filed with the Commission. On the other hand, the Commission is of the opinion that liability for misleading statements or omissions in an exempt offering should not be imposed on any officer, director or other individual associated with the offering if he can sustain the burden of proof that he acted in good faith and did not know of the untruth or omission on which the action is based. Thus under the Commission's proposal, officers, directors and other individuals would be liable only for actual misconduct or bad faith, whereas the issuing corporation would be absolutely liable. The Commission firmly believes that enactment of this proposal will furnish investors with needed additional protection in Section 3(b) exempt offerings.

Incidentally, Representative Leonard Farbstein has introduced a bill[12] which embodies the provisions of this proposal.

Opposes Bennett Bill

Another bill,[13] introduced by Representative John B. Bennett, would make applicable to Section 3(b) offerings the same strict civil liabilities now pertaining solely to registered offerings. The Commission opposed this bill in the 84th Congress, and has continued to oppose it in the 85th, because the Commission believes its enactment would result in the equivalent of registration for small issues of securities and thus have the indirect effect of repealing the Section 3(b) exemption. The Bennett Bill, unlike the Commission and the Farbstein proposals, would apply liability — virtually of a fiduciary nature—to all persons associated with a Section 3(b) offering despite any lack of knowledge of, or responsibility for, the untrue statements or omissions.

The Commission has also recommended[14] that Section 24 of the Act be amended to provide for the same criminal responsibility for filing false or misleading offering circulars and other documents in connection with Section 3(b) offerings as now exists in the case of registered offerings.

The Commission's amendment program under the Securities Act contains a proposal which would make explicit a registrant's right to withdraw its registration statement unless the statement is subject to a stop-order or a stop-order proceeding.[15] In *Jones* v. *SEC*[16] the Supreme Court held that under the circumstances of that case where no securities had been sold, the registrant could withdraw its registration statement prior to effectiveness as a matter of right. This holding has been given a limited construction in subsequent decisions.[17] In order to clarify the matter, the Commission would add an amendment to Section 6(c), which recognizes a registrant's right to withdraw in all cases except where a proceeding or examination by the Commission is pending or is commenced within 15 days after application for withdrawal is filed, or where the registration statement is subject to an order of the Commission. An effective registration statement could not be withdrawn after any of the securities covered by it have been sold.[18]

An important purpose of the proposed amendment to Section 6(c) is to prevent unscrupulous persons from filing a misleading registration statement and then withdrawing it when the Commission either institutes or deems it necessary to institute proceedings to ascertain and disclose the misleading character of the statement, and to prevent withdrawal after the Commission has issued an order under Section 8 unless the statement is first amended to make adequate disclosure of the facts. The purpose of prohibiting withdrawal of an effective registration statement where part or all of the securities have been sold is, of course, to safeguard the rights of the purchasers of the securities.

The Commission has recommended a number of other amendments to the Securities Act, as well as amendment programs with respect to the Exchange Act,[19] the Trust Indenture Act[20], the Investment Company Act[21], and the Investment Advisers Act.[22] However, in view of the fact that you as officials of issuing corporations would probably have no more than a passing interest in these proposals (which are either technical in their nature, apply only to the securities industry, or affect principally investment companies and investment advisers), I shall not impose on your time in any discussion of them.

Instead, I shall briefly describe several other proposals before the Congress in which you may have an interest. Although these bills did not originate with the Commission, their enactment would amend the Federal securities laws.

Fulbright Bill

The Fulbright Bill of the 84th Congress was re-introduced early in the 85th Congress.[23] This proposal of Senator J. W. Fulbright[24] was designed to amend the Exchange Act to extend the financial reporting, proxy and insider reporting and trading provisions of the Act[25] to large corporations whose securities are publicly held but not listed and registered on a national securities exchange. As originally introduced, the bill applied to corporations having more than 750 stockholders or debt securities of more than $1,000,000 outstanding in the hands of the public, and $2,000,000 of assets. In addition to requiring these corporations to register with the Commission and file with it annual and other periodic reports now required only of corporations with listed and registered securities, the bill would also have subjected them to the Commission's proxy rules and the insider trading provisions of the Act.

After a careful study, the Commission endorsed the financial reporting, proxy and insider reporting provisions of the bill, but recommended deferral of any action on the application of the insider short-swing trading recovery provisions to unlisted securities pending further study. The Commission also objected to a provision of the bill which would have repealed Section 15(d) of the Act and thus relieved 246 corporations now required to file financial reports from that obligation.[26]

The Committee reported the bill out to the Senate with amendments reducing its application to companies having $10,000,000 of assets and more than 1,000 stockholders *of record* and deleting the debt security test.[27] An exemption for insurance companies was added, and the Commission's two suggested amendments were adopted by the Committee. As reported out by the Committee, the bill covers 650 companies, approximately one-half of the number which would have been covered by the original bill.

S. 594, introduced by Senator Homer E. Capehart, would amend Section 16(a) of the Exchange Act to require beneficial owners of

1 Sec. 28, Securities Act of 1933; Sec. 21(a), Securities Exchange Act of 1934; Sec. 23, Public Utility Holding Company Act of 1935; Sec. 46(a), Investment Company Act of 1940; Sec. 216, Investment Advisers Act of 1940.

2 Pursuant to Sec. 136 of the Legislative Reorganization Act of 1946.

3 The Securities Act proposals are embodied in S. 2544; the Exchange Act proposals in S. 2545; the Trust Indenture Act proposals in S. 2546; the Investment Company Act proposals in S. 2796; and the Investment Advisers Act proposals in S. 2547.

4 As H. R. 9326; H. R. 9327; H. R. 9328; H. R. 9329; and H. R. 9330.

5 S. 2544; H. R. 9326.

6 Sec. 3 of H. R. 9326.

7 S. 810.

8 S. 843.

9 S. 2299. See S. Rpt. 438, dated June 14, 1957.

10 June 26, 1957.

11 Sec. 7 of S. 2544; Sec. 8 of H. R. 9326.

12 H. R. 173.

13 H. R. 4744.

14 Sec. 12 of S. 2544; Sec. 13 of H. R. 9326.

15 Sec. 3 of S. 2544; Sec. 4 of H. R. 9326.

16 298 U. S. 1 (1936).

17 Cf. *Resources Corporation International* v. *SEC*, 103 F. 2d 929 (C.A.D.C. 1939); *Oklahoma-Texas Trust* v. *SEC*, 100 F. 2d 88 (C. A. 10, 1939); *SEC* v. *Hoover*, 25 F. Supp. 484 (N. D. Ill. 1938).

18 This provision, however, would not foreclose the filing of an amendment to the registration statement, in accordance with the existing practice, to reduce the number of shares registered to those which have been sold.

19 S. 2545; H. R. 9327.

20 S. 2547; H. R. 9328.

21 S. 2796; H. R. 9329.

22 S. 2546; H. R. 9330.

23 S. 1168.

24 Chairman of the Committee on Banking and Currency.

25 See Secs. 12, 13, 14 and 16 of the Act.

26 Hearings before a Subcommittee of the Committee on Banking and Currency, U. S. Senate, 85th Cong., 1st Sess., on S. 594, S. 1168 and S. 1601, May 21-29, p. 61 *et seq.*

27 S. Rpt. 700, dated July 24, 1957.

more than 5% (instead of the present 10%) of any class of any security registered on a national securities exchange to file with the Commission reports of their holdings and transactions. The reporting requirements now apply, and would continue to apply, to officers and directors, irrespective of the size of their holdings. The application of Section 16(b), which provides for the recovery of short-swing profits realized by insiders, would not be changed by the bill, so that 5% stockholders would be subject to the reporting requirements of Section 16(a) but not to the short-swing recovery provisions.

In written comments and in hearings before the Subcommittee on Securities of the Senate Committee on Banking and Currency,[28] the Commission expressed its view that disclosure of 5% ownership might assist management or any other group in determining whether substantial beneficial holdings are being accumulated and the identities of the persons so accumulating them. Presently it is possible for very substantial accumulations to be made by groups without any public disclosure because single individuals may accumulate up to 10% of the outstanding securities of a corporation without disclosing their activities. As a result, instances have occurred in which groups possessing 30 to 50% of the outstanding stock of their companies have appeared at corporate meetings and revealed for the first time such concentrations of ownership merely because each member of the groups could, without prior public disclosure, accumulate within the present 10% limitation. To the extent that this percentage is reduced, additional light might be thrown upon such activities.

Beneficial Owners in Proxy Contests

S. 1601, another bill introduced by Senator Capehart, is directed toward identifying beneficial owners in proxy contests. This bill would amend Section 14 of the Exchange Act, which deals with solicitation of proxies in connection with securities registered on a national securities exchange. It would add a provision making it unlawful for any person to give a proxy relating to such a security for the election or removal of directors, where there is a contest, unless (1) such person is the beneficial owner of the security or (2) the name and last known address of the beneficial owner appear on the proxy. In addition, the bill would make it unlawful for any person knowingly to exercise any proxy in violation of the foregoing provision. The Commission both in written comments and hearings before the Subcommittee on Securities[29] expressed the following views. First, that there is a substantial question as to whether the bill would actually facilitate disclosure of beneficial ownership because the record holder may not know the beneficial owner, particularly where the owner seeks to conceal his identity. In addition, the record holder may not be in a position to conduct the necessary investigation to discover the beneficial owner even if he suspects the person so named is not in fact the beneficial owner. Second, that since the purpose of proxy regulation is to provide stockholders with the necessary information to exercise an informed judgment in casting their votes, the information required by the bill would be of no help to the rank and file stockholders because it would not be available to them at the time they execute their proxies. Finally, the Commission felt that enactment of the bill might impede the conduct of corporate meetings. Beneficial owners might refrain from giving their proxy rather than have their identity revealed, and record owners, fearful of any possible implication in a violation, might prefer not to execute any proxy. These conditions might result in the lack of a quorum so that no meeting could be held.

Although hearings have been held on S. 1601, the bill has not been reported out by the Senate Banking and Currency Committee. We expect that this is one of the proposals to amend the federal securities laws which will be receiving further consideration in the second session of the 85th Congress which recently convened.

29 Hearings before a Subcommittee of the Committee on Banking and Currency, U. S. Senate, 85th Cong., 1st Sess., on S. 594, S. 1168 and S. 1601, May 21-29, pp. 11-12.

30 Hearings before a Subcommittee of the Committee on Banking and Currency, U. S. Senate 85th Cong., 1st Sess., on S. 594, S. 1168 and S. 1601, May 21-29, p. 12 *et seq.*

Cartwright, Valleau Insurance Specialists

CHICAGO, Ill.—Levering Cartwright, an insurance authority, and three associates have launched a new investment firm, Cartwright, Valleau & Co., to specialize in insurance stocks.

Levering Cartwright

The company, a member of the Midwest Stock Exchange, has established offices in the Board of Trade Building.

Besides Mr. Cartwright, who will serve as President, the founders are Harry O. Valleau, Vice-President and Treasurer; Roger Q. White, Secretary, and Wayne W. Olson, Assistant Secretary.

Mr. Cartwright is a director and former Vice-President of the National Underwriter Co. For 24 years, he was Executive Editor of the *National Underwriter*, insurance trade publication. He has been engaged in insurance public relations and consulting work and serves as the intermediary in insurance company amalgamations.

Other directorships are with Shenango China, Inc., and Marine Acceptance Corp. In 1956-57, he was in charge of the Chicago insurance division in behalf of the American Cancer Society's fund drive.

Since 1930, Mr. Valleau has headed Harry O. Valleau & Company, dealer in industrial and public utility issues, bank and insurance shares and municipal bonds.

Mr. White is a member of the board of directors of National Underwriter and Marine Acceptance Corp., President of Twin Cities Servisoft Corp., director of Automatic Appliance Service, and President of Service Enterprises, Inc.

Mr. Olson serves as Secretary of both Marine Acceptance Corp. and Twin Cities Servisoft Corp.

Bache & Co. Will Admit New Partners

Bache & Co., 36 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 31st will admit Walter E. Auch, Henry Evans Gray, Harry Kahn, Jr., Richard S. Barnes, William C. Willis, Jr., Louis A. Ferris to general partnership and Benjamin Franklin, Manuel Klachky and Martye Rubin to limited partnership. Mr. Barnes and Mr. Ferris are members of the New York Stock Exchange. Mr. Auch will make his headquarters in Detroit, Mr. Gray in Tulsa and Mr. Kahn in Washington.

Halsey, Stuart Group Marketing Issue of Cambridge Elec. Notes

Halsey, Stuart & Co. Inc. and associates offered on Jan. 21 an issue of $4,500,000 Cambridge Electric Light Company 30-year 3⅞% notes, series B, due Jan. 1, 1988, at 101.335 and accrued interest to yield 3.80%. The group won award of the issue at competitive sale on Jan. 20 on a bid of 100.419.

Net proceeds from the sale of the notes will be applied to the cost of the company's construction program, including repayment of short term notes incurred in connection with this program.

The notes will be redeemable at regular redemption prices ranging from 106.34% to par and for the sinking fund starting in 1959, at special redemption prices receding from 101.32% to par, plus accrued interest in each case.

Cambridge Electric Light Company is a wholly-owned subsidiary of New England Gas and Electric Association. The company is engaged principally in the generation, purchase, distribution and sale of electricity. Electricity is sold directly in the city of Cambridge, Mass., and at wholesale to the town of Belmont, Mass., for resale. Surplus steam from the company's electric generating stations is sold at wholesale to an associate company, Cambridge Steam Corp., for resale to Harvard University and 29 commercial and industrial customers.

In the 12 months ended Sept. 30, 1957, the company's operating revenue aggregated $8,239,894 and net income totaled $918,141.

Wm. E. Pollock Co. Adds T. L. Quagliani

Wm. E. Pollock & Co., 20 Pine Street, New York City, has announced that T. Leo Quagliani has joined their sales staff.

Chace, Whiteside & Winslow, Inc.

BOSTON, Mass.—Chace, Whiteside & Winslow, Inc. will be formed Feb. 1 as a new New York Stock Exchange member corporation. The firm will maintain a New York office at 67 Wall Street. Officers will be Jonathan Chace, Chairman; Thomas Whiteside, President; Philip L. Carret, member of the New York Stock Exchange, Executive Vice-President; Timothy D. Murphy, Vice-President; Andrew N. Winslow, Jr., Secretary, and Clarence H. Botsford, Treasurer.

With Shearson, Hammill

Shearson, Hammill & Co., members of the New York Stock Exchange and other leading stock commodity exchanges, have announced that Cornelius J. Leary has joined the firm as a registered representative in the firm's Empire State Building office, in New York City. He was previously associated with Hirsch & Co.

Form Istel & Lepercq

Istel & Lepercq Corporation has been formed with offices at 63 Wall Street, New York City to engage in a securities business. Officers are Andre Istel, Chairman; Paul A. Lepercq, President; Edmond Cotty, Vice-President and Treasurer; Derek C. Pey and Bruno Desforges, Vice-Presidents; Richard F. Purcell, Secretary.

Talcott, Potter Partner

On Feb. 1st Henry G. Davis will be admitted to partnership in Talcott, Potter & Co., 41 East 42nd Street, New York City, members of the New York Stock Exchange.

Retail Trade in 1958

By A. W. ZELOMEK*

President and Economist, International Statistical Bureau, Inc. Visiting Professor, Graduate School of Business, University of Virginia

Noted business economist forecasts 2% to 3% higher retail volume in 1958 despite possible production and employment declines. Dr. Zelomek claims changes in income redistributions and growth of white collar class will prompt demand for consumer goods of somewhat different quality and appearance.

Total retail trade in 1958 will average about 2% to 3% higher than in 1957 despite a further decline in production and employment, and a rise in unemployment. The increase should be slightly greater in the latter part of the year than in the early part; even in the early part of the year volume should not fall below a year ago.

A. W. Zelomek

While unemployment will increase and layoffs will gain somewhat, public psychology will still be favorable enough so that spending will be normal, based on income. I expect disposable income (personal income after taxes) to show a gain of up to $7 billion above a year ago, or an increase of close to 3%. The public also has a strong cash position. The increase in its liquid assets is greater than the gain in debt.

Gains for general business should at least equal those for total retail trade or make a slightly better showing. Sales of apparel should also at least equal the gain recorded for total retail trade, and may even be slightly higher.

Income Revolution and Sales

The challenge to the department stores and the specialty stores in 1958 is the greatest in recent history. The stores have not taken advantage of the income revolution and the marked increase in the number of middle and higher income families. The stores have also not recognized the extent to which those employed in service industries have increased. This means a larger number of white collar workers as compared with factory workers. While their basic needs may be the same as those of the factory worker in the same income bracket, their desires are somewhat different in terms of quality and appearance; so is their willingness to buy.

While prices during the year as a whole may vary only slightly and the average may be fractionally higher, fluctuations in individual prices and markets will still be very great. Inventory profits and losses will still be important, even though the economy as a whole is not faced with the need for excessive liquidation, as many believe.

Retailers as well as the textile-apparel industry, generally, have not spent as much time and effort and funds for research as they should have. The need for a better understanding of the customer on the one hand, and the supplier on the other, has never been greater. Better and more effective buying is as important as better and more effective selling. This is the challenge for 1958.

*From a talk by Dr. Zelomek before the Kirby, Block & Co. meeting, Jan. 11, 1958, New York City.

The Stockholder and His Company

By LEWIS D. GILBERT*

Well-known public stockholder protagonist details various avenues of company obligations and shareholder privileges. Notes with satisfaction shareholders' increasing attendance at the annual meeting, which he asserts is the place for them to gain first-hand knowledge of their company management. Proposes method for curtailing multiple-pilfering of lunch. Maintains "hush - hush" withholding of "competitive information" is absurd. Hails use of proxy statement for airing of grievances, as the place of meeting, barring of cumulative voting, stagger systems of director elections, and withholding of post-meeting reports. Calls for protection against "optionitis" by management, criticizing fiduciaries for refusing to take a stand.

To know all about your company, you must know first-hand your company management. The place provided by law for that purpose is the Annual Meeting. Whether owners are taking advantage of this right to question, to suggest and to be either critical or laudatory of management policies can be seen from some figures I am using in my next annual report of what goes on at Annual Meetings and which will be out at the end of January, 1958.

Lewis D. Gilbert

In 1956 there were 195 owners at the American Can meeting, in 1957 there were 300. American Telephone had 3,000 instead of 2,500; American Tobacco 253 versus 191; General Motors 2,400 in place of 2,000; Merritt-Chapman and Scott 1,700 as against 1,458; Pennsylvania Railroad 1,500 against 900; Union Carbide 1,700 against only 800 the prior year, and Western Union 401 against 319.

Cynics may maintain that the bait of a lunch plays a role in the growing attendance, but the calibre of the questioning shows that this is not the primary consideration of most of those coming to the sessions. An example was furnished only a few weeks ago at the special meeting of American Can, where the figures I have cited in regard to the attendance grew again. Questions were fired by a goodly number of shareowners and that the other owners had read the proxy statement was made clear when one stockholder asked a question which had obviously been answered in the proxy statement. From various parts of the room came the comment, "Why do you not read the proxy statement—it is clearly spelled out there and has been answered."

Vital Information Furnished

The amount of information furnished to the meeting as a result of these questions is inestimable. In the give and take of the discussion, one of the great executives of American business, William C. Stolk, answered such questions as why Coca Cola bottles rarely break, his fundamental thinking on the kind of mergers American Can will be interested in and those it will not want, his views on executive compensation, ownership of stock by directors or coming directors, and why earnings for the year were not as high as he would have wished. Independent stockholders were furnished the opportunity to remind the Chairman and their directors of their desire to see the ending of the currently used class or stagger system, the right of cumulative voting in order to assure that a growing corporation has democracy and not oligarchy in the years ahead, the importance of assuring that when companies merge, the meetings should be held on different days, so that those who wish to attend both meetings, if they happen to be owners of both corporations, may do so, and the importance of insuring that when important mergers are taking place, that the owners be summoned into special session and not merely told after the event as a number of corporations still do. American Can is not one.

*A talk by Mr. Gilbert as guest lecturer at the New School for Social Research, New York City.

Your speaker called to the attention of the management the kind of annual report the independent shareholders want from a corporation which will now for the first time have a number of important integrated divisions as a result of the mergers. He asked that the model chosen be that of the Glidden Company, which tells the owners what they have a right to know and which many companies prefer not to tell stockholders.

The answers which so often are heard about "competitive information" are absurd, since they deal with completed transactions and corporation history. Management has the right to secrecy only when it concerns uncompleted negotiations which would be jeopardized by premature discussion.

Secrecy Absurd

Some examples of the absurdity of the secrecy school of thinking can be seen from the fact that prior to the days of the proxy rules and the 10 K Annual Reports of the SEC, owners were too often denied figures in regard to executive compensation — yet earnings of American corporations and shareholder dividends have hardly suffered as a result—as the picture of the past generation of corporate earnings is before us.

Or again in regard to the right to know figures about advertising costs. Many years ago General Foods used to refuse this information. Thanks to our constant prodding at the meetings of General Foods, the management came to the proper conclusion that we had the right to know and each year for more than a decade we have been cheerfully furnished these figures which have an importance to investors who can thus tell if the year's earnings were affected by reductions or increases in advertising costs.

Tom Thompson, who was formerly with General Foods, wrote an article on the question for a publication some time back and noted with a deserved chuckle that the predictions of the pessimists as usual went down the drain — the earnings record of General Foods since it gave these figures out has continued to rise and be one any management can be proud of having attained.

And so it is with the question of information as to whether any division is in the red. As mergers take place, this kind of information is of vital importance to owners — because a consolidated balance sheet can hide more management blunders than any document I can think about. Read the Glidden report and compare it to many others—and join us in the fight to have this corporation's annual report be the model for American industry.

How absurd the "hush-hush tactics" of American management is in regard to this question of divisional earnings can be seen from the fact that only recently an American executive coming to consult me—as many do—and all our work is done without compensation, of course — asked me my opinion of three executives whose record he was studying.

I burst into laughter as I saw before me the record of one executive because it gave every competitor the exact earnings—loss in this case plus the exact sales figure of the division he has been running. Yet this very corporation had consistently refused even to admit at the annual meeting that any division was in the red or to give the owners any information about divisions, as this was most competitive information!

The Lunch Question

Since I touched on the argument that some owners attend meetings to have lunch, I would like to touch further on this subject. The abuse in this direction is an easy one to check and I am glad to see more and more corporations doing this. A card is sent with the proxy notice, which should be returned by those wishing to come.

This enables the management to know who is coming and a card of admission is sent back to the shareholder. Other checks against abuse where there is a basket luncheon—and most luncheons in the future will be of the basket variety because of attendance size —include a stub on the card which entitles each owner to one luncheon and/or one souvenir of the company products. This too has to be watched as some owners come with shopping bags for such occasions and there should be obvious fair treatment for all and not hogging by a few.

And the Chair has the obligation to see to it that at the start of the meeting that luncheon will not be served until the conclusion of the meeting's business. He should point out as officials of Standard Oil of New Jersey always do at their record attendance meetings, that, if it be the will of the assembly, luncheon will be fixed for somewhere in the vicinity of 1 p.m. The Chair reminds the meeting that if there is uncompleted business at that time, some three hours after the start of the meeting, the luncheon will be a recess, not an adjournment, and further questioning of officials will take place after luncheon. Even those who have to leave after the luncheon will know what further business or what further questions were asked through the superb post-meeting report sent every owner several weeks after the meeting.

There is simply no good reason why annual meetings of corporations should not last all day, if need be, just like any other business convention. If we are to have bigness in the corporate structure —and there is no reason why we should not—surely it is not too much to ask in return comprehensive reports of stewardship, full discussion of company problems and resolutions.

Incidentally, I might mention that the increasing amount of preparation by corporate management for these annual meetings are really worth the cost of many luncheons because it enables management to review potential questions in advance and sets management often checking matters which otherwise might have lain dormant to the shareholders' detriment.

Having touched on the growing attendance at the annual meeting, I should like to note here my equal pleasure at the increasing use of the proxy statement by active shareholders in American business to air proper and pertinent subjects.

American shareholders owe a particular debt of gratitude to President Wilma Soss and the members of the Federation of Women Shareholders for undertaking this work at a number of these meetings, and it is an equal pleasure to note other independents now joining in as they should as full partners in American industry.

Subjects for Discussion

The subjects chosen are the proper ones such as the place of the meeting, the right of cumulative voting, the ending of stagger systems, the need for more post-meeting reports. Incidentally, it is of interest to note that the law of South Africa makes the sending out of impartial post-meeting reports mandatory, thanks to some beneficial recent legislation enacted there.

Restoration and extension of the pre-emptive right, restrictions on bonus and pensions to executives are other resolutions and they are bringing good results as managements become aware of the size of the independent vote on these issues. Reforms are increasingly taking place, as a result, which never would have been made otherwise.

Protection against dilution caused by optionitis is another proper subject receiving much-needed attention in company proxy statements. Oddly enough, while we see small shareholders have started to exercise some degree of control over matters which in no way involve the day to day operation of the company business—the job of management, of course—those who should also be using the proxy statements in the shareholder interest such as the mutual funds and the investment trusts still lag behind. We continue to declare this is their obligation, not to sell shares at what often is a depreciated price, harming all shareholders including their own.

The Independent Shareholder's Proposal Privilege

As we note this growth in interest in the annual meeting and the proxy statement there is continued discussion by shareholders about the amount of space proponents and opponents should have in the company proxy statement paid for by the corporation and hence not the property of management, even if called the management proxy statement.

I am, therefore, extremely pleased that A. Wilfred May has been among those raising this issue forcefully. For example, he believes the time has come to allow more than 100 words to the proponents of an independent resolution. Personally, I think the best solution is a rule that both sides be limited to the same amount of space in their reasoning pro and con.

The Securities and Exchange Commission in its impartial role favoring neither side could state in some coming change of the proxy rules that while a hundred words is the maximum permitted to either side, if in the discretion of the Commission the public interest in the way of full disclosure is better served by granting an exception to either side, this can be done with their express permission.

Mr. May has also raised another point which calls for revision of the proxy rules. This is to allow proponents of an independent resolution the same opportunity now enjoyed by management to see the reasons given for opposing the proposal in advance of printing in the company proxy statement.

Fair play would afford both sides the right to know what arguments will be used so that if a proponent wishes to change his reasons or answer objections, he would be afforded reasonable time to do this. He would also be in a position—which management now has — to ask elimination of any statement which is not factual—as of course both sides must have absolute liberty to express opinions.

Equalizing Power

I have tried to cover before you today the steps the public has and is taking to equalize what has been in the past the too great power of corporate management and the restoration of corporation democracy in the modern corporation.

NASD District 13 Elects Officers

W. Scott Cluett, Vice-President, Harriman Ripley & Co., New York, was elected Chairman of District No. 13 of the National Association of Securities Dealers, succeeding Ralph C. Sheets of Blyth & Co., Incorporated.

W. Scott Cluett

Albert C. Purkiss

Albert C. Purkiss, Senior Vice-President, Walston & Co., was elected Vice-Chairman, succeeding Mr. Cluett in that post.

District No. 13 consists of the states of New York, Connecticut and a part of New Jersey.

R. E. Zoellner Opens

BOONTON, N. J.—Robert E. Zoellner is engaging in a securities business from offices at 9 Lakeview Avenue.

Forms Marshall Co.

BROOKLYN, N. Y.—Morris Cohen is engaging in a securities business from offices at 2373 Bragg Street under the firm name of Marshall Co.

Form Southwest Shares

AUSTIN, Tex. — Southwest Shares, Inc. has been formed with offices at 1011 Congress Avenue to engage in a securities business. Officers are Calvin C. Huffman, president; O. W. Huffman, secretary and treasurer; and Calvin W. Huffman, vice-president.

Harry Milchin Opens

Harry E. Milchin is conducting a securities business from offices at 521 Fifth Avenue, New York City.

Owens & Co. Formed

BELLEVILLE, N. J.—Owens & Company has been formed with offices at 283 Little Street to engage in a securities business.

Form Jeffrey Robert Corp.

SYOSSET, N. Y.—Jeffrey Robert Corporation is engaging in a securities business from offices at 1 Ellis Drive.

Arnold Shapiro Opens

Arnold J. Shapiro has opened offices at 299 Broadway, New York City, to engage in a securities business.

Sherry, Maloney Co.

Sherry, Maloney & Company, Inc., is continuing the securities business of Sherry Company, 80 Wall Street, New York City.

George Smolin Opens

George J. Smolin is conducting a securities business from offices at 55 Liberty Street, New York City.

Eisenhower Confident Business Setback Will Be of Short Duration

President Eisenhower's letter transmitting the Economic Report to Congress reviews changed economic policies and factors that are expected to curtail present business decline and restore economic growth without interruption. Asks business and labor to cease imperiling real economic advancement with price-inflationary activities, and refers to his legislative program designed to solve today's urgent problems, faster recovery and underpin future economic expansion.

President Eisenhower outlined progress of the past year and the end of the year decline and, after assessing the forces for recovery, expressed optimism regarding resumption of economic growth in his letter transmitting annual Economic Report to Congress.

Pres. Eisenhower

The President urged labor and management to hold the line against undeserved wage and price increases, and explained why long-term growth is assured despite today's urgent defense considerations.

The following is full text of President Eisenhower's Letter of Transmittal accompanying Economic Report sent to Congress Jan. 20.

Letter of Transmittal

The White House,
Jan. 20, 1958.

To the Congress
of the United States:

I present herewith my Economic Report, as required by Section 3 (a) of the Employment Act of 1946. In preparing this Report, I have received the assistance and advice of the Council of Economic Advisers. I have also had the advice of the heads of the executive departments and independent agencies of the government.

I set forth below, in condensed form, what I consider to be the major conclusions and recommendations of the Report.

The Economy in 1957

The past year was a prosperous one, despite a decline in the closing months. Over 65 million people were employed, 300,000 more than in 1956. The nation's output of goods and services totaled $434 billion, and personal income was $343 billion. Both were 5% larger than in the preceding year. A considerable part of these increases, however, reflected higher prices.

In the final quarter of the year, Gross National Product was about 1½% below the peak reached in the third quarter. Personal income after taxes declined one-half of 1%, and personal consumption expenditures somewhat less. In December, however, unemployment amounted to 5.2% of the civilian labor force, compared with 4.3% in September.

This change in economic conditions called for adjustments in economic policies. During much of the eyar, the task of restraining inflationary pressures was paramount, and policies were directed to this end. In the closing months of the year, and currently, the task has been to facilitate readjustments in the economy essential to the resumption of sustainable economic growth, but to do so without reviving inflationary pressures.

The Current Economic Situation And Outlook

As we look ahead in 1958, there are grounds for expecting that the decline in business activity need not be prolonged and that economic growth can be resumed without extended interruption. The policies of government will be directed toward helping to assure this result.

The demand for goods and services for final use has been well maintained. A considerable adjustment in inventories has already taken place, and present holdings are generally not heavy. Personal income has fallen very little, and purchases by consumers are continuing at a high level. The confidence of business concerns in the economic future is evidenced by their long-range plans for the expansion and improvement of production facilities and the high rate at which they are carrying out these plans. The increasing amount of resources committed to research and development is further evidence of this confidence and assures the continued working of forces that make for expansion.

Financial conditions are increasingly favorable to resumption of economic growth. Credit is more readily available and its cost is lower. These conditions, together with the recent reduction in the cash investment required by prospective home buyers under Federal mortgage insurance programs, tend to promote increased home building. More ample and lower-cost credit also favors a continuation of the large and growing volume of capital expenditures by state and local governments, and should help moderate the decline in investment outlays by business concerns.

At the turn of the year, the economy was beginning to feel the effects of an acceleration of the placement of defense contract awards, prompted by the need to move forward quickly with programs essential to the strengthening of the nation's defenses.

The Longer Perspective

At a time like the present, when the economy is adjusting to the large additions to productive capacity made in the past few years, it is well to view our economic prospects in a longer perspective and to consider some of the sources of our strength.

There are good reasons for confidence that a vigorous expansion of our economy can be sustained over the years. Our domestic market for goods and services has about doubled every quarter of a centry, and we should do at least as well in the next 25 years. The needs and wants of our growing population will continue to enlarge markets for output. To keep pace with expanding requirements, state and local outlays must continue rising at some such rate as the recent $3 billion a year. Research and technological developments are opening up vast new fields for profitable investment. World-wide economic development can enlarge foreign markets for our products. The annual personal savings of Americans, which are close to $20 billion, and the strength of our financial institutions, will help attain the economic capacity necessary to meet these growing requirements.

The latest challenge of international communism will require a further increase in the economic claims of national security, which are already heavy. If we follow suitable private and public policies, this challenge can be met without distorting our economy, or destroying the freedoms that we cherish. Whatever our national security requires, our economy can provide and we can afford to pay.

The Challenge to Economic Policies

A realistic appraisal of our economic prospects, though it warrants confidence, also requires that we acknowledge an unfavorable feature of recent economic developments. In 1957, our Gross National Product rose 5%, but four-fifths of this increase was accounted for by rising prices.

There are critical questions here for business and labor, as well as for government. Business managements must recognize that price increases that are unwarranted by costs, or that attempt to recapture investment outlays too quickly, not only lower the buying power of the dollar, but also may be self-defeating by causing a restriction of markets, lower output, and a narrowing of the return on capital investment. The leadership of labor must recognize that wage increases that go beyond over-all productivity gains are inconsistent with stable prices, and that the resumption of economic growth can be slowed by wage increases that involve either higher prices or a further narrowing of the margin between prices and costs. Government, for its part, must use its powers to help keep our economy stable and to encourage sound economic growth with reasonably stable prices.

The resumption and maintenance of economic growth promise greater economic capability for meeting the nation's needs. If this opportunity is to be fully realized, however, growth must take the form of increases in real output, accompanied by a stable price level. This can be achieved if weight is given to long-run as well as short-run considerations in policies and practices that affect our economic welfare. It can be guaranteed by a public opinion that is alert to the consequences of wrong policies and insists on policies which will yield economic growth without inflation.

Measures to Help Attain Economic Goals

A legislative program is presented in this Report to help solve urgent problems that confront the nation today, foster a resumption of growth, and build stronger foundations for economic advances in the years ahead. Fiscal policies are recommended to meet, within the framework of a budget in which expected revenues are adequate to cover projected expenditures, the nation's needs for strengthened defenses, for the improvement of our position in science and education, and for other essential activities. Legislation is proposed to increase the effectiveness of the Federal Government's credit programs and its programs for the insurance and guaranty of private credits; to widen and strengthen our economic ties with other nations; to foster adjustments intended to bring agricultural production into line with commercial demands and reduce the fiscal burden of price-support programs; to give individuals greater protection against economic hardships, promote integrity in labor-management relationships, and improve industrial relations; to enhance the competitive character of our private enterprise system; and to strengthen the economic position of small businesses.

Favorable consideration of this program will materially enlarge the nation's capacity to meet present challenges and to achieve sustainable economic growth and improvement in the years ahead.

DWIGHT D. EISENHOWER

Westheimer Display at Convention

CINCINNATI, Ohio—Westheimer and Company, 326 Walnut Street, members of the New York Stock Exchange, set up a display booth at the 74th Annual Convention of the Ohio State Veterinary Medical Association, to inform the veterinarians about the stock and bond business. Included in the display was a miniature stock board complete with quotations. The booth was manned by Robert Conger (left) and John Tobias.

Coughran U. S. Dir. Of the World Bank

Tom B. Coughran, Assistant Secretary of the Treasury, has taken up his duties as the United States member of the board of Executive Directors of the World Bank.

Tom B. Coughran

Mr. Coughran is 51 years old and a native of California. Soon after his graduation from Stanford University in 1927 he joined Bank of America, where he became Vice-President and Manager of International Banking Department in 1948. During the war, Mr. Coughran served in the United States Army, and performed duty in Washington, D. C., Alaska, England, France and Germany. He was discharged with the rank of Lieutenant Colonel.

President Eisenhower appointed Mr. Coughran an Assistant Secretary of the Treasury in November, 1957, and he took the oath of office on Dec. 4. Also in November, the President appointed Mr. Coughran to be the United States Executive Director of the World Bank. He was sworn into this office on Dec. 30, and attended his first meeting of the Bank's Executive Directors earlier this week.

National Finance Co. Pfd. & Common Stock Offered to Investors

Baker, Simonds & Co., Detroit, head a syndicate which offered 75,000 shares of National Finance Co. 6½% cumulative pfd. stock, $10 par value, with warrants to purchase 112,500 shares of common stock, and 40,000 shares of common stock, $1 par value. The preferred, representing new financing, was offered at a price of $10 per share, while the common stock, representing holdings of stockholders of the company, was priced at $5 a share.

The cumulative preferred stock is entitled to cumulative dividends at the rate of 62½ cents per share per annum and has full priority over the subordinated preferred stock and the common stock, and ranks equally with the convertible preferred stock, with respect to the payment of dividends and the distribution of assets.

Bearer warrants initially attached to the cumulative preferred stock, exercisable only for the aggregate number of shares called for thereby and not in part, nondetachable until on and after Jan. 2, 1959 except upon exercise or prior redemption of cumulative preferred stock to which attached, entitling holders of the warrants to purchase common stock at the rate of 1½ shares of common stock for each share of cumulative preferred stock, at $5.25 per share on or before Jan. 2, 1963, $5.50 per share thereafter and on or before Jan. 2, 1966, and $5.75 per share thereafter and on or before Jan. 2, 1968.

With Paine, Webber

(Special to The Financial Chronicle)

AKRON, Ohio—Gus A. Kasapis has become associated with Paine, Webber, Jackson & Curtis, Ohio Building. He was formerly with Saunders, Stiver & Co.

With Central States

(Special to The Financial Chronicle)

MANSFIELD, Ohio—Jay R. Hedding is now with Central States Investment Co., Walpark Building.

Detroit Stock Exchange Elects 1958 Officers

DETROIT, Mich. — The Detroit Stock Exchange announces the election of the following officers for 1958: President, Roy W. Neil, Andrew C. Reid & Company; Vice-President, Charles E. Exley, Chas. A. Parcells & Co.; Treasurer, John K. Roney, Wm. C. Roney & Co. Announcement was also made of the reappointment of Fred J. Oppat as Executive-Secretary and Examiner and Betty N. Suiter as Assistant-Secretary.

Governors elected to the board for a three-year term: Charles E. Exley, Charles A. Parcells & Co.; Henry VanderVoort, Nauman, McFawn & Co.; Frank E. Voorheis, Goodbody & Co. The other governors making up the board are Harry A. McDonald, Jr. of McDonald, Moore & Company; Roy W. Neil of Andrew C. Reid & Company and John K. Roney of Wm. C. Roney & Company, whose terms expire in 1959; Walter A. Bayer of F. J. Winckler Company; Lawrence H. Dilworth of R. C. O'Donnell & Company and Warren A. Wood of Baker, Simonds & Company, whose terms expire in 1960. William A. Walker of Dickinson, Wright, Davis, McKean and Cudlip will continue as Counsel and Edwin Bower of White, Bower & Prevo will continue as Auditor.

Elected to the Nominating Committee for 1958 are: Charles A. Kreidler; Don W. Miller, Don W. Miller & Co.; Warren T. Olson, Wm. C. Roney & Co.; Andrew C. Reid, Andrew C. Reid & Co.; Wynn F. Wakeman, Baker, Simonds & Co.

Joins Lamson Staff

(Special to The Financial Chronicle)

LINCOLN, Neb. — Richard D. Topolski has joined the staff of Lamson Bros. & Co., Stuart Building.

Dillon, Read Group Offers $15 Million South Africa Bonds

Dillon, Read & Co. Inc. heads an investment banking group which offered publicly on Jan. 21 an issue of $15,000,000 Union of South Africa 10-year 5½% External Loan bonds of Jan. 1, 1958, due Jan. 1, 1968, at 98½% to yield approximately 5.70% to maturity. This is the second public offering of Union of South Africa bonds in the United States. In November 1955, the Union sold $25,000,000 of External Loan bonds here through underwriters headed by Dillon, Read & Co. Inc.

The new bond issue is for the purpose of financing a portion of the cost of the Union's program for the development of its railroad transportation system. This system has carried a greatly increased volume of traffic in recent years but has nevertheless been unable to meet fully the increased haulage requirements which the development of the country has created. Total capital expenditure for the railroads and other government-owned transportation facilities is estimated at $201,000,000 for the fiscal year ending March 31, 1958, and the currently authorized program is estimated to involve subsequent expenditures of $526,000,000.

The bonds will not be redeemable, except for the sinking fund which is calculated to retire $937,000 principal amount of the bonds semi-annually, commencing July 1, 1960. The sinking fund is designed to retire at 100% approximately 94% of the issue prior to maturity. Prior to the operation of the sinking fund, the bonds are to have the benefit of a purchase fund for the retirement of $468,000 principal amount semi-annually, if available at not exceeding 98½% of the principal amount; and the sinking fund installments are to be credited pro rata for bonds purchased. Application will be made to list the bonds on the New York Stock Exchange.

The Union of South Africa, an independent state and a member of the British Commonwealth, is particularly rich in gold, uranium, coal, diamonds, copper, manganese, chrome and various other ores. For over half a century the country has been the world's principal producer of gold, its most important export and its most important source of hard currency. The Union's production of gold for the first nine months of 1957 established a new high record at approximately $445,000,000, compared with approximately $414,000,000 for the comparable period of 1956.

Uranium has also become an important factor in the country's economy in recent years. The production of uranium and other fissionable materials for 1956 amounted to $108,000,000 and indicated uranium deposits are sufficient for production at this rate for decades.

The Union's manufacturing industries now contribute, in the aggregate, the greatest share of the national income, and a valuable export trade in manufactured goods is being built up, especially with African territories to the North. As of 1955, direct American private investment in the Union, according to the United States Department of Commerce, amounted to an estimated $257,000,000.

The accounts of the Union Government since 1932 have consistently produced a surplus as to ordinary revenues and expenditures, although the Government has resorted to borrowings to finance major capital expenditures, including the development of railways, housing, communications and certain key industrial enterprises.

The Union has always paid when due the full amount of principal, interest and amortization requirements upon its debt, except to persons in enemy and enemy-occupied territories during the World Wars. This included lend-lease debt to the United States which has been paid in full. The Union has neither requested nor received any grants from the United States under any post-war "aid" programs.

Werner Lehnberg Joins Hutton Commodity Dept.

Werner Lehnberg has joined the comomdity department of E. F. Hutton & Company, 61 Broadway, New York City, members of the New York Stock Exchange, as a research analyst and registered representative. He had formerly been chief of the commodity research department of Goodbody & Co.

Mr. Lehnberg will provide E. F. Hutton clients with reports on special situations in commodities, and offer his recommendations for straddle opportunities. He is Vice-President of the Commodity Club of New York, Inc.

Form Kendoc Securities

SIOUX FALLS, N. Y.—Kenneth L. Sederstrom and Horace S. White have formed Kendoc Securities with offices at 2601 South Van Eps to engage in a securities business. Mr. Sederstrom was formerly with Investors Diversified Services. Mr. White was with John G. Kinnard & Co.

J. L. Ray Opens

SUNBURY, Pa.—Joseph L. Ray is engaging in a securities business from offices at 39 North Fourth Street. Also partners in the investment business are Harold E. Pray and Mrs. G. M. Ray. Mr. Ray and Mr. Pray were both formerly with J. H. Drass & Co.

Business and Finance Speaks After the Turn of the Year

Continued from first page

cigarettes and gasoline were important targets. Restraints affecting home construction were charged in a number of cases. Inasmuch as housing costs account for nearly 32% of the cost of living, restraints affecting this cost could become a serious consumer expense. In 1958 I intend that there shall be no relaxation in the Department's drive against antitrust law violations.

While I consider actions against artificial price-pegging of utmost seriousness, I intend a fair and thorough program striking at violations wherever they are found. Only in this way can a healthy economy be nurtured.

The year just ended saw an enormous increase in fines imposed for antitrust violations by the courts. A total of $957,575 was imposed last year. Only $267,450 were imposed in 1956. The prime factor behind the startling change was the application of the Sherman Act amendment increasing the maximum fine which may be imposed from $5,000 to $50,000. It has been highly gratifying to me to see the gravity of antitrust violations stressed so emphatically by the courts. The Department of Justice will continue in the coming year, to seek appropriately serious penalties. I think we can expect to see continuation of the high-level of fines.

Several important merger cases should come to trial or judgment. Only 12 actions have been filed under the anti-merger law, since its 1950 amendment. All 12 have been filed in the past three years, and none has yet been tried, although four were concluded by consent judgment. The trial of these cases is therefore of special significance. It is hoped that rulings in these cases will precipitate some aspects of the anti-merger law now in suspension, and give to businessmen a residue of guides from merger uncertainties.

No drastic policy change can be anticipated. We shall continue to oppose, in the absence of unusual circumstances acceptance of *nolo* pleas by the courts; we shall continue to seek criminal indictments in cases where obvious forms of per se illegality are involved; we will continue to press for speedy trial and conclusion of cases to eliminate court congestion, expense, and delay in securing relief; we shall continue to strike quickly and vigorously against restraints on the country's free competitive system.

BENJAMIN ABRAMS

Emerson Radio and Phonograph Corporation

We expect that television sales and profits will show an improvement in 1958 as a result of a better balance between supply and demand, coupled with further improvements in the styling and engineering of products.

Benjamin Abrams

The satisfactory results obtained in 1957 in radio and phonograph sales are expected to be continued in 1958. A growing consumer interest in transistor radios and high fidelity phonographs affords the basis for this estimate.

Although the air conditioning industry is, to a great extent, dependent on weather conditions, I feel that the greater consciousness on the part of the public to the benefits of air conditioning as a medium for comfort and health will result in a material improvement in the industry's sales and earnings during 1958.

The revised procurement philosophy and policies of the Department of Defense resulting from current international developments, coupled with hoped for translation of completed development projects into production orders, hold forth prospects of increased billings in defense electronic equipment.

It is my opinion, that regardless of general economic conditions in 1958, the electronic and air conditioning industries will show an improvement over 1957.

MALCOLM ADAM

President, The Penn Mutual Life Insurance Co.

While the final returns are not in, the life insurance industry undoubtedly had a most successful year in 1957, as measured by insurance written, insurance in force, dividends paid and mortality experience. This is now in the past and the only thing that remains to be done is to complete the record in order to determine exactly how successful a year it was.

Malcolm Adam

As we leave 1957, everyone appears to be cognizant of the fact that our economy has slowed down and in some segments has gone into a lower gear. How long this slower tempo will prevail and when the upturn will come are important when we attempt to forecast the outlook for 1958.

One of the most important events during the past year affecting the cost of life insurance was the lowering in the middle of November of the Federal Reserve discount rate from 3½% to 3%, which some economic writers have described as indicating the end of the Federal Reserve Board's tight money policy. It has been stressed that this was the first reduction since early in 1954, and prior to that time the most recent reduction had been made in 1942 to aid the Treasury in financing our huge war debt. This is not the only step the Federal Reserve has taken toward easing the money market, as the supply of credit has been increased somewhat by the System's purchases of U. S. Government securities which has had the effect of increasing the reserves of the banking system. Up to the time when this was written, however, the Federal Reserve has taken no action to reduce the reserve requirements of the banks.

The result of their actions to date has been a slight increase in the availability of money and a substantial decrease in interest rates on short-term loans and also on long-term investments of the type purchased by the life insurance companies. Many insurance companies have subtantial commitments negotiated in 1957 which call for the payment for securities, mortgages and real estate in 1958 and in later years, so the investing of 1958 funds at comparatively attractive interest rates does not appear to be too difficult a problem. New offerings are now at rates about 1% below the peak of interest rates of 1957, and will affect the return on new investment commitments negotiated in 1958.

Investment earnings of the life insurance companies for last year will show an increase over those for 1956, and the trend should continue in 1958, due partly to the higher yielding investments put on the books in 1957 and partly to the commitments carried over from 1957 to acquire investments at attractive rates in this year.

The future of money rates depends largely upon the state of our economy and the actions of the Federal Reserve to ease or tighten the supply of money. While it is not possible to predict accurately the end of the current downswing, there appears to be a widespread feeling that business will move upward during the last half of the year. This would partly result from the much discussed increase in defense spending. Although inflationary tendencies have slowed down for the present, everyone should be prepared to combat any inflation which might arise. In the event of overexpansion and renewed inflation, we may find the Federal Reserve Board, which recently stopped fighting inflation and began moderating a recession, reversing its policy again.

Investment earnings of life insurance companies should show some improvement in 1958. To attain greater life insurance sales will require more intensive selling to meet the competition resulting from other demands on the buyer's income. Mortality experience should continue favorable due to our high standard of living and the never-ending discoveries of new drugs and advancements in the techniques of treating our sick and aged, as well as the improvements in our facilities for taking care of them. All things considered, 1958 should be another good year for the life insurance industry.

K. S. ADAMS

Chairman Phillips Petroleum Company

Domestic petroleum demand in 1958 is estimated to increase around 3% over the disappointingly low 1957 level. Exports will decrease substantially, however, because the high European shipments during the time Suez was closed in early 1957 will not be repeated. Total demand, therefore, probably will gain only about one-half of one per cent.

K. S. Adams

Demands for petroleum-based chemicals seem certain to improve materially. Production of another five to six million passenger cars is in prospect for the auto industry, and above-average replacement market for tires also is likely. These factors indicate continuing strong demands for synthetic rubber and carbon blacks. In spite of persistent farm surpluses, higher demand for agricultural fertilizers is in prospect. Sparked by the new rigid polyethylenes and other calls on ethylene capacity, there will be continued growth in the number of plants using petroleum raw materials in ever widening chemical fields.

The leveling out of over-all business trends which set in during 1957 apparently will continue well into or through 1958.

H. R. AMOTT

President, Amott, Baker & Co., Incorporated

The stock market slump during the latter half of 1957 had its effect upon all segments of the securities markets including the publicly held investments of most real estate companies. Real estate bonds, in particular, were adversely affected due to the increase in money rates and a tight mortgage market. Because of the very tight money situation all through 1957, bond yields rose sharply and the market prices of all classes of bonds declined.

Harry R. Amott

While no one can predict with certainty whether this trend will change in 1958, within recent weeks there has been evidence of a change in Federal Reserve policy with its reduction in the discount rate and open market operations. Certainly, it would seem that we are entering into a period of easier availability of mortgage funds and the building program looks brighter for 1958 than it has for several years.

Apart from the general economic factors—not excluding the factor of public sentiment which is seldom right—which affect the value of all investments, the earnings of most real estate companies in 1957 were not disappointing. In fact, the majority of such corporations owning seasoned, well located properties experienced a very satisfactory year of operation.

That the investing public was not altogether bearish about the outlook for real estate investments was evidenced by the fact that the degree of decline of real estate bonds and stocks in 1957 was relatively moderate by comparison with the decrease in market value of other classes of securities. During last year the Amott-Baker Real Estate Bond and Stock Averages recorded declines of 4.3% in the stock portion of the index and 6.1% in the bond portion. Furthermore, 1957 was the first year since 1948 that the average prices of real estate securities were lower than those of the preceding year. Consequently, during only two of the past ten years has there been any pause in the upward trend of real estate bonds and stocks.

Among the factors which account for the strong market performance of real estate securities are safety and rate of return. Generally speaking, well managed real estate corporations provide the investor with a measure of stability and value not readily duplicated in other lines of business. For example, the rentals derived from income producing real estate are not subject to wide or rapid fluctuations and are not affected by the frequent intermediate shocks experienced by so many forms of business. In addition, the income from so many of today's business properties is strongly secured by long term leases that assure a good return for many years to come.

Let us keep in mind, also, that we have been living in an inflationary economy since shortly before the end of World War II. This constant erosion of the purchasing power of the dollar has had a marked affect upon the market value of real estate. Today, the replacement value of buildings erected ten and more years ago is very much higher than their original cost. Land values have also risen. As a consequence, well maintained properties in good locations have lost none of the dollar value usually attributable to physical depreciation. To the contrary, the higher rentals and earnings which these properties now produce have increased their value. For this reason, the low depreciated book cost at which older real estate companies carry their property is often vastly out of proportion to the current sales value of their real estate. This has been demonstrated many times over in recent years, even during 1957, in the profits realized by leading real estate and hotel companies from property sales.

It is my belief that substantial additional profits will be recorded by real estate corporations during 1958 through capital gains realized from the sales of their older buildings. In the meantime, the operations of most real estate companies should continue at a high level with occupancy and rentals remaining firm.

Present lower prices for real estate bonds and stocks offer investors many unusual buying opportunities at good yields plus a strong base from which to realize future capital gains. In my opinion, this is not a time for pessimism but rather an opportune period in which to accumulate a carefully selected list of real estate equity stocks and bonds of the better grade, well managed realty companies.

THOMAS F. ARMSTRONG

President, Eastern Air Lines

Although many problems, aggravated by dwindling net earnings will beset the airlines in the next two years as the industry makes its $2 billion transition to jet transportation, I see no reason to doubt that commercial aviation will even surpass the gains predicted for it over the next decade.

T. F. Armstrong

Even without the boost that jet airliners with their much greater speed and comfort are sure to give air travel, the overall market is hardly more than scratched. By best estimates available today, the airlines are carrying only some 8% of the potential traffic available in our ever growing population.

There is no question in my mind that air travel is destined to become the true means of mass transportation, throughout the world. This trend is apparent from figures compiled by the Interstate Commerce Commission which reveal that the combined passenger mile share of bus and rail inter-city travel declined nearly five percentage points from 12.6% of the total in 1949 to 7.7% in 1956. During the same period the airplane's participation in this whole inter-city travel market rose from 1.5% to 3.7%.

Of course, the combined travel market in 1956 was much vaster than it was in 1949. For instance, the scheduled U. S. airlines carried nearly 46 million passengers in 1956 compared with well under 17 million in 1949.

I believe that through continuation of their vigorous sales and promotion campaigns and improving present services the airlines could certainly continue to increase their annual passenger mile results and could continue to capture ever-increasing percentages of the new entrants in the travel market.

But I think the advent of jet air travel will accelerate the pace at which the airplane is capturing larger and larger shares of the total market. The fact that airliners,

such as the Douglas DC-8, will whisk passengers from New York to Miami in as little as two hours instead of three and one-half is of far greater significance than the mere fact that it will give a traveler an hour and a half more time to bask in the sun. Rather, the incredibly fast transportation the jets will usher in, may well change the way of living of first thousands and later hundreds of thousands of American families.

The concept of the "two-car family" is already becoming fairly commonplace. Within the past several years more and more families in the upper middle income brackets have become "two-home families."

Even today Eastern Air Lines has upwards of 100 passengers who are regular commuters throughout the Summer from New York City on Thursdays and Fridays to such New York State Summer resorts as Glens Falls, Saranac Lake and Plattsburg. These businessmen work in the city through the week and spend weekends with their families at their Summer homes.

During the Winter we have several score such "commuter" passengers between New York and Miami. Once jet service is established Miami will be as close to New York City as Plattsburg is today in the point of time. Not only can I see this two-home idea multiplying in Miami, but there is no reason why it shouldn't extend even further to Puerto Rico, the Virgin Islands, the Bahamas, Jamaica and other pleasant resort spots.

While I have the utmost confidence in the long-range progress of the airline industry now as 1958 begins, I must admit that such optimism is hardly justified by the results achieved in the year just ending.

Certainly the growth of air traffic was almost all that could be hoped for. Based on actual results for the first nine months, and a sound estimate of traffic which was carried in the third quarter, revenue passenger miles for the total domestic industry were up 14.4%. Even revenues of the domestic trunk lines increased a healthy 13.5%.

Unfortunately, expenses too, continued their spiraling trend, going up an estimated 19.2% for the year. Because of the Civil Aeronautics Board's insistence of retaining the archaic fare structure based on 1938 economic conditions, the net profit of the trunk line industry is expected to plummet disastrously 56% for 1957 as compared with 1956.

However, because this disparity between revenue and earnings is so glaring, that too, is a source of confidence. I am confident that the CAB will not only grant the relief needed through allowing the airlines to increase their general tariffs, but I think it is likely that the Board will also use the powers that it has at its finger tips to authorize some sort of temporary relief even before the conclusion of the lengthy general passenger fare investigation now under way in Washington.

As I have remarked before, this relief is not only inevitable, but imminent, because the alternatives to permit the carriers to earn enough to work out their individual destinies are too grim to even consider.

As I view the overall situation, the Board should grant an interim increase to give the carriers enough confidence to proceed with the $2 billion program which will purchase aggregate fleets of 333 prop-jet and turbo-jet airliners.

From the general passenger fare investigation should come a sound overall tariff structure which would eliminate the maze of special and promotional fares which now include some 10 different "gimmicks," all designed to attract different types of traffic at different times to different destinations.

In my opinion the case before the CAB will establish the need for four steps in setting up an equitable basic fare structure for the industry. These are:

1. The formulation of a premium first class fare for a truly luxurious service operated at super speeds with jet equipment and offering superb accommodations and cuisine for resort travel.

2. Setting up a standard first class fare to apply on frequent flights over heavily traveled routes to serve both business and pleasure travel and to give the operator a reasonable return on relatively short haul schedules operated on the many inter-city routes which are yet to be developed to a "break even" potential.

3. Establishment of day and night aircoach tariffs to further broaden the base of mass transportation over almost all airline routes. It is envisioned that carriers will be employing today's new propeller driven aircraft on this type of service for many years to come.

4. Elimination of the clutter of other fare gimmicks, most of which have long outgrown their usefulness. In some cases the instigators have probably forgotten for what purpose these were instigated.

This year will be remembered for many changes that it will usher into air transportation. The jet age will truly dawn late in 1958 when the first U. S. manufactured jet type aircraft goes into service. This aircraft, the Lockheed Electra, was ordered for delivery to Eastern Air Lines in September, 1958. At the present it has already been test flown for a number of hours, a development that has exceeded expectations by some months.

Four of these aircraft will be used simultaneously to perform tests leading to CAA certification. There is an outside possibility that they may be flying on our airways earlier in 1958 than was originally expected.

No one denies that the advent of the jet age will bring many technical problems. But my confidence that 1958 will be a year for the airlines to remember stems from the fact that, the solutions to these technical problems, as those to the financial probblems, are already known and only need application.

That application will require much clear-headed thought and plenty of backbreaking follow through on the part of not only the airline operators, but government agencies, manufacturers, and every one even remotely concerned with air transportation. These prospects of blood, sweat and tears are not new in aviation. These are the ingredients that transformed a handful of pioneers flying open-cockpit baling wire and canvas mail planes into the vast passenger carrying industry the airlines are today.

Not only am I confident, but I am bullish over commercial aviation—on the threshhold of what could be the greatest year in its history.

The groundwork for an orderly transition to jet air travel was laid in 1955 when the airlines placed initial orders for their new fleets. These orders set in motion the machinery on assembly lines which will soon be turning out the airplanes.

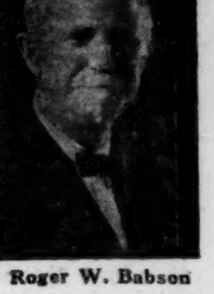
Thus, the jet age is dawning for the air passenger. Whether it comes in the orderly, self-supporting fashion that was designed for it, or whether it arrives willy-nilly at great cost to the aviation industry, the traveling public, the taxpayers, now rests pretty much in the hands of those on whom the Civil Aeronautics Act delegated the responsibilities of promoting aviation.

Because the propostion can be broken down so simply, I see no reason to doubt that the intelligent and hard-working people who are charged with regulating the industry will take the only obvious course.

ROGER W. BABSON

Babson Park, Massachusetts

Business and financial conditions in 1958 will have to contend with what may prove to be the largest number of uncertainties in more than two decades. Any one of these is of sufficient magnitude to determine the primary course of business and investment trends for the year 1958.



Roger W. Babson

Perhaps the most fundamental of these factors is the ending of widespread shortages of goods and services. Instead, a growing number of industries now report excess productive capacities and supplies. Recent shifts in management policies with regard to inventories, employment, capital expenditure plans, and orders reflect this basic change in the business environment, and all point to a lower level of general business in 1958. The second half of 1957 had already seen a contraction of new business inflow to the point where manufacturers commenced to work off backlogs of unfilled orders. As shortages vanished, buyers became more patient. Thus, with business barometers pointing to a lower level of economic activity, businessmen are faced with the uncertainty of how far the business downturn will carry and how much

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further demand will contract before the economy adjusts to a slower tempo of activity.

The outlook for a lower total volume of business in 1958 carries the implication of more intense competition at all levels. There will also be considerable pressure for lower prices. Pressures of rising wages and other operating costs are likely to persist, however. These will be only partially offset by economy drives on the part of management. The net result will be to further squeeze profits. As an adjunct, I forecast an increase in business failures—both in number and liabilities.

During the early stages of the current business downturn, it was felt by many that high wages would enable consumer spending to hold up sufficently to cushion drops in other sectors of the economy. But cut-backs in premium over-time work and shorter work weeks have already reduced consumer buying power. Spending is likely to be further discouraged by rising unemployment and fears over atomic fall-outs, sputniks, etc. Hence, retailers will be hard-pressed to keep up gross volume. Businessmen in general will find it necessary to adopt intensive advertising and sales campaigns to retain their share of the market.

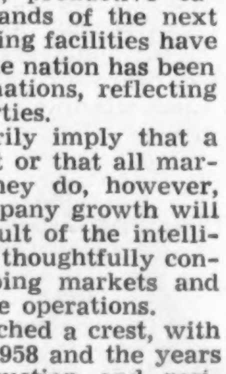
Aside from economic considerations, unsettled international and political conditions must be reckoned with. Altho I believe that world leaders will go to some lengths to avoid World War III, yet the cold war will intensify in 1958. This will add to fears caused by the nuclear and missiles warfare programs and could greatly affect retail trade and in turn general business. President Eisenhower's health will have far-raching effects upon international affairs as well as influencing the nation's political situation during the next few years. It could retard corporate expansion and consumer buying.

Superimposed upon already wavering investor confidence, these uncertainties contribute to an unfavorable outlook for the stock market. The resultant hesitancy on the part of investors to make major commitments tends to create a vacuum in which sharp rallies and reactions occur. But the broad trend of stock prices in 1958 will be downward, with prices averaging below 1957 levels. Bond prices, on the other hand, should creep upward, benefiting from additional investor shifts from stocks to attractive bond issues and somewhat lower interest rates. Money will not be plentiful, however, especially in the case of new borrowers. There is also the over-hanging fear that the Government may be forced to "dictate" the levels for wages, prices and profits, as a part of its over-all strategy in fighting the cold-war.

Despite the less favorable business outlook, we should not become panicky or bearish. The American economy is now keyed to a "Political Standard" which is more resilient than were conditions under the Gold Standard. Certain Government actions can directly or indirectly stimulate business and confidence, and temporarily override conditions which normally make for lower economic trends, thus extending the period of prosperity.

C. J. BACKSTRAND
President, Armstrong Cork Company

The outlook for general business in 1958 is for some further moderate contraction. On balance, however, prospects are favorable for the principal markets served by the Armstrong Cork Company's building materials and flooring products, packaging materials and industrial specialties.


C. J. Backstrand

There is ample evidence that the current business softening marks the beginning of a period of perhaps two to five years during which over-all economic growth will be significantly slower than that experienced during the post-war decade and that expected to commence sometime in the sixties. This "interim period" has its roots in the disappearance of demand backlogs which had been built up during the depression, then the war and, finally, the years of rapid post-war expansion. For the first time since the end of the war, there are virtually no shortages. Indeed, in most industries, productive capacity is adequate to satisfy the demands of the next few years. Moreover, while manufacturing facilities have been expanded to record proportions, the nation has been experiencing a decline in family formations, reflecting the relatively low birth rate of the thirties.

These developments do not necessarily imply that a serious economic setback is in prospect or that all markets will behave in like manner. They do, however, indicate that profitable individual company growth will not come automatically but as the result of the intelligent and aggressive implementation of thoughtfully conceived, flexible programs for developing markets and reducing the costs of factory and office operations.

Although the building boom has reached a crest, with little over-all growth in prospect for 1958 and the years immediately following, school construction and residential repair and modernization should show some further advances. On the other hand, commercial and industrial construction expenditures have begun to decline from recent record levels and further slight declines are to be expected. Non-farm housing starts are expected to continue to hover about the million mark for the next few years.

A continuation of the relatively high level of building activity indicated for 1958 will give rise to a heavy demand for many types of building materials and flooring products. The brightest prospects are for those products with such characteristics as economy of installation, distinctive design, and ease of maintenance. With capacity generally adequate to meet prospective demand, primary management emphasis has shifted from production to marketing and merchandising.

As consumer markets become still more selective next year, the package that has both eye and convenience appeal will gain in importance as a merchandising aid. Recognition of the key role played by packaging in the competition for the consumer's dollar has been growing and should become increasingly more widespread. As a result, the packaging industry in 1958 should show further gains.

The current weakness in the consumer durable goods industries, as well as scattered cutbacks in the machinery industry, has reduced the demand for industrial specialties. Nevertheless, there is a persistent need for industrial materials which make possible, or contribute to, lower production costs. In the face of continuing pressures on profits, requirements for such items should be even more intense during 1958.

The coming year will present American business with the greatest challenge it has faced in the past ten years, as policies and procedures that were eminently satisfactory for boom conditions may prove inappropriate for the period ahead. The streamlining of such policies and procedures designed to control costs intelligently and to intensify selling efforts will represent the single highest priority for alert, perceptive managements as they face squarely the challenge of the "interim period."

HERBERT BARCHOFF
President, Eastern Rolling Mills, Inc.

The metal industry—both ferrous and non-ferrous—will be characterized by a year of intense competition in a temporarily shrunken market. This will not be a new phase in our metal economy, but a continuation of a phase which started early in 1957. The slow decline is continuing, and there seem to be no new factors appearing which can bring it to a halt.


Herbert Barchoff

New factors may develop by the second half of the year, born out of projected defense spending, which will put our full metal resources to work again, and also loosen up spending on consumer goods. However, three negative factors are applying with force at the moment.

(1) There has been a slackening of business in all metal lines, causing manufacturers to use up inventory, and work on a week-to-week buying schedule. On the plus side, metal inventories now are at almost dangerously low levels. Purchasing agents have been loathe to replenish them on a once normal sixty day or even thirty day basis. Tightening of credit in the past year, and subsequent poor cash positions have also contributed to low inventories.

(2) Many aluminum and steel companies have completed expansion programs in the past year. After tremendous investments in money and manpower, new production facilities are not working at the capacities which are needed to make them if not profitable, at least self-liquidating. They were built against a sales curve that rose steadily for a decade. A plateau in that sales curve is almost as serious as a drop, because new plants and equipment were planned on a rising projection, not a level one.

(3) There has been a sharp increase in the quantity of imported metals, which are being sold at prices substantially below those of domestic metals. This has led to jungle conditions in the market.

The plan for a graduated tariff which I proposed to the Government (See Dun's Review & Modern Industry, March 1954), equating tariffs to relative wage scales, and which has now been espoused by various industry and business groups, would seem to deserve careful attention at this time.

In brass and copper, prices in general will remain at the same low range during the first part of the year, or tend to dip even further. The picture may brighten later, because of curtailed production at the mines, and because of extremely low inventories in the hands of users, but the effect of an upswing in purchasing will not be felt for some time. When it is felt, the price of copper will firm up. Of deeper significance is the reluctance of designers and manufacturers to think of new products in terms of copper. Unpleasant memories of its widely fluctuating price and availability during the past few years will carry over into 1958.

Copper's loss has been, to a large extent, aluminum's gain. Aluminum, of course, has been much more stable in price and supply. New products and new markets will continue to demand aluminum during the year ahead Additional production facilities as well as recent entrants into the field will keep competing producers on their toes. For this reason, there is a possibility that the automatic wage increase scheduled for August will affect the price of aluminum. It may be that producers will absorb the increase in costs rather than pass it on to the consumer who is only too prone to shop the market today. That will wholly depend on how competitive conditions are at the time.

If the note of optimism being sounded by the automobile makers rings true in the months ahead, then steel should be in for a good year. And if easier mortgage money gives impetus to homebuilding in the spring, it will be helpful too. All these "ifs" may bolster a generally depressed steel market. Steel's automatic wage increase goes into effect in July, but as with aluminum, competitive conditions may lead producers to absorb the increase, rather than further discourage the buyer.

If this forecast for the metal industry is a little disturbing, it is because a disturbing condition exists in our economy. To pretend high optimism so as not to make businessmen take over is to do them a disservice. Those who are responsible for the state of the nation's economic well-being, both in Government and out, must help businessmen face reality during 1958. And reality means a positive program within the next six months which can apply sound corrective remedies to recession conditions.

If the tide turns before then, we will have lost nothing. If it does not turn, we will gain confidence through the knowledge that we are fully prepared for what lies ahead.

ARTHUR B. BAER
President, Stix, Baer and Fuller

The economic climate in the year just concluded will be recorded as another record year, notwithstanding some weaknesses, which have slowed down the pace set in the earlier part of 1957. In an economy, where we have become accustomed to a boom psychology, it is difficult for us to accept without trepidation anything but an acceleration to a higher plateau and perhaps at no time in history have we had this repetitive surge forward without an important setback over so long a period of time.


Arthur B. Baer

We must accept corrections and adjustments if we are to absorb and bring into proper balance the growth resulting from continued expansion. Unless we take inventory of our position and revamp our estimates to prevent a runaway economy, we will find ourselves in a precarious situation with increasing inflation and over expansion—always prevalent in a prolonged boom period. Fortunately, we are in the process of making corrections while business is still at an all time high, but slackened somewhat by those factors which should create a stronger economy for the future.

An important barometer of business ahead is the capital goods industry. New orders placed in the last half of the year have been at a declining trend and will continue through the first half of 1958. The relaxation of the Federal Reserve money policy will have an encouraging effect toward the latter part of 1958. This could lead to a reversal of the downward trend and start us back on the road where we left off in an upward cycle.

Another important yardstick for the future is the population increase. This ties in with household formations, creating demands for housing, buildings, public works and consumer goods. While this element of economy may not have an impact for 1958, the years following will benefit from this demand, making itself felt in a healthier climate of general business activities.

We are a country of progress and ingenuity. We cannot accept a status quo attitude. To accomplish our aims, we must work and think to improve our standard of living and to provide the necessary requisites—whether housing, transportation, health, goverment, or peace of mind. More money is being spent for research, which is becoming one of the basic characteristics of our nation. The possibilities are unlimited. Without it we could not grow and take care of the increased demands made necessary by population and social advancement.

From all indications 1958 will not exceed 1957, but by the end of the year, we probably will not be too far from our 1957 peak. We can approach the year 1958 with a feeling of conservative optimism. Not all the indices and yardsticks are on the pessimistic side, there are many favorable factors at work which will make themselves felt in the near future.

In summary, the road ahead for 1958, while it may not be as good as 1957, by all standards of performances will continue to be a highly successful year—possibly the latter part will again show a stronger position than earlier, continuing the upward trend where we left off before the present adjustment started to take effect. There is nothing in the long range picture that would indicate anything other than confidence for the future.

LESLIE O. BARNES
President, Allegheny Airlines, Inc.

During 1957 a number of significant trends pointed up the prospects of scheduled local air services. Among these trends were the continued growth of local air traffic, the expansion of local air services to additional points throughout the country, the relaxation of restrictions on local airline operations and the passing of legislation by Congress to assist local service airlines to operate with new and more modern flight equipment.


Leslie O. Barnes

More than 687,883,000 passenger miles were flown by the thirteen local service airlines in the first eleven months of 1957 for a 17.4% increase over the same period in 1956. The trunk airline increase in the same period was 13.1%.

The Civil Aeronautics Board's program of regional proceedings confined to considerations of local air service expansion throughout advanced rapidly during 1957. The initial decision in the "Seven States Case" in the Rocky Mountain Area recommended substantial new and additional local air service certifications. The hearings in the Great Lakes Case and the Northeastern States Case

were held in 1957. These latter proceedings enhance generally the area between St. Louis, Chicago, Sault St. Marie, Buffalo, Boston, Washington, Pittsburgh and Louisville. These Civil Aeronautics Board proceedings have been characterized by three significant elements:

(1) The large number of non-certificated communities requesting local air services.

(2) A renewed interest on the part of major metropolitan centers in expanded local air services to area communities.

(3) The suspension of trunk certifications at points where the services have not been developed and recertification of these points for local service operations.

While none of the regional proceedings have reached final decision, a number of individual cases were decided leading to new routes and the certification of new local air services to twenty additional cities. The new service certifications were also characterized by longer-haul authorizations and the reduction of required stops between terminals permitting improved services and schedule economies.

The local airlines now serve over 470 cities in the United States, 264 of which are served exclusively by these carriers.

The Congress passed two Bills in the 1957 Session designed to assist the local service airlines in their programs to replace the DC-3 airplane with more modern equipment.

The Equipment Trust Bill permits local service airlines along with helicopter operators and certain regional carriers to finance flight equipment by the equipment trust method.

The Guaranteed Loan Bill guarantees up to 90% of the principal for equipment financing to lending institutions up to a maximum of $5,000,000 per airline.

In summary, local air service is now recognized as an integral factor in our national economy, and of particular importance to the industrial and social development of the intermediate community.

H. Y. BASSETT

President, Calumet & Hecla, Inc.

Although 1957 was a year of unprecedented prosperity for many lines of business, this was not true in nonferrous metals and lumber, and several other durable goods categories. Not only have manufacturers of products using copper been reducing inventories, but production and sales of appliances have been declining. In addition, construction of new houses in 1957 reached what apparently was the low point of the present cycle.

Horace Y. Bassett

Consumers increased purchases of nondurable goods and services in the 1956-57 period, partly at the expense of appliances and other durables. In our opinion, this shift is temporary. It could be reversed by the end of 1958.

Wholesalers' and retailers' inventories are in better shape, in relation to sales, than they have been in the past two years. Adjustment of our customers' inventories has been under way for a year and a half and could be completed by mid-1958. Home construction should be from 6 to 10% higher in 1958 than in 1957. We expect that the decline in industrial equipment outlays will exert an adverse effect on the copper and brass industries.

The cutback of industrial production in early 1958 could drop the Federal Reserve Index to the 134-137 range, compared with 146 in the first quarter of 1957. This could result in a second round of decreases of customer inventories. As they are already believed to be low, however, this should not be severe.

We are forecasting industrial production to move upward again in the second half of 1958. This change, when it occurs, we expect to be reflected in a considerable increase of copper and brass mill shipments.

The next change of the general economic trend should, also, result in a more favorable position of copper and other nonferrous metal producers.

Provided that home construction increases as expected, lumber and lumber product shipments should increase.

MRS. O. A. BEECH

President, Beech Aircraft Corporation

Beechcraft business planes provide executives with the mobility of action that enables them to expand their sales and service profitably. Therefore, we look forward most enthusiastically to a promising year in the production and sales of each of our four 200-miles-per-hour business planes.

By the close of 1957, Beech Aircraft's diversified activities included more than 60 different aeronautical projects. Our company has broadened its scope in military prime contract and subcontract production.

Fairth in a bright future for business aviation prompted the founding of Beech Aircraft in 1932. During our first 25 years, constant growth and accumulated sales of more than $1 billion worth of commercial and military products have justified our original faith. This same faith in a bright future for business aviation remains the basic foundation of our company today. We believe that the potential of increased sales is limited only by the manufacturer's ability to produce customer-accepted aircraft.

During 1958 we shall continue our efforts to retain and improve Beechcraft's position as the leader in sales volume of business airplanes.

D. B. BEECHER

President, Equitable Gas Co.

Predicting the future of the natural gas industry is a pleasing assignment, because I look forward to 1958 with confidence. In spite of a general leveling off period facing our national economy in 1958, my long range forecast is optimistic.

There are a number of factors that have been predominant in building the $17 billion gas industry into the nation's fifth largest. Basic to this, I believe, is fine leadership, the continued public demand for natural gas, and its many residential, commercial and industrial uses and, increasing proved recoverable reserves. I also feel that our greatest period of service to the nation still lies before us.

Donald B. Beecher

Expansion of the industry will continue during the coming year and because of the increase in recoverable reserves of over 14 trillion cubic feet, natural gas customers, both present and future, can look forward with assurance to a firm supply of gas for many years to come. This thought, however, is predicated upon the assumption that the present difficulties of regulation will overcome by means of legislation or industry action.

Pipeline companies have now extended gas transmission lines into practically every state in the Union. Even the Rocky Mountains have been conquered and supply lines were extended to the great Pacific Northwest in 1957. This great engineering feat has again opened new territories for the utilization of gas service.

By-products of natural gas have become and will become increasingly more important in this modern age of synthetics. Ethane concentrates extracted from natural gas are being sold to the chemical industry for the production of dyes and plastics and this demand continues to be great. In our own Equitable Gas System, operation of our new hydrocarbon plant at Maytown, Kentucky, began in June, 1957.

Gas distribution utilities in many areas have been expanding rapidly, yet have much difficulty in keeping pace with a growing population. In Pittsburgh, which contains Equitable's primary service area, there has been invested approximately $79 million during the past 10 years for expansion and growth. We have again budgeted about $8½ million for additions, replacements and improvements to our system during 1958. These growth and expansion dollars are being fitted into the Pittsburgh Rennaissance Program where applicable.

There are some other factors that point to an excellent long range forecast for this dynamic industry. Nationally, the industry is promoting and advertising as it never has done before. Of particular note is the industry's national television show "Playhouse 90," which is constantly making new friends for the industry as well as selling more aggressively the home uses of gas. National campaigns utilizing such well-known figures as: Bing Crosby, Julia Meade and other public figures have added prestige and dignity to its national campaigns that are tied into locally by most aggressive distributing companies.

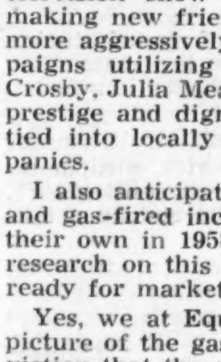
I also anticipate that year 'round gas air conditioners and gas-fired incinerators for home use will come into their own in 1958. Much money has been expended in research on this equipment and several models will be ready for market during the year.

Yes, we at Equitable firmly believe that the general picture of the gas industry is a good one. It is my conviction that the growing unity and spirit of cooperation in the industry between producer, pipeliner, and distributor will lead to new heights of service to our nation, to our communities and to the many fine gas utility customers, provided the regulating problems previously mentioned are resolved within a reasonable period.

BRUCE BERCKMANS

President, International Breweries, Inc.

1958 will be a very decisive year for the Brewing Industry. Certainly competition for the consumer's dollar will intensify, which will necessitate greater sales, advertising and promotional effort on the part of the brewing industry as a whole. Individually, the brewers will also find sharper competition in their own markets.



Bruce Berckmans

The national brewers will continue to increase the pressure in the local markets through additional advertising and merchandising. In order to meet this competition and that of the semi-national breweries who are selling at local prices, the local and regional breweries also will have to step up their promotional expenditures. Unless these additional expenditures are matched by increased sales, many breweries already over extended financially are going to close or merge.

In a speech to the Financial and Security Analysts of Detroit on December 4, 1957, I expressed the view that the brewing industry and most of its operating companies are suffering primarily from the following:

(1) Poor average profits and too few published figures.

(2) Consumer price resistance versus increased costs and unrealistic labor demands.

(3) Inequitable taxation and confused regulations.

(4) Bad public relations by the industry and by the individual brewery.

(5) Changes in consumer living and buying habits and disappearance of the sweat market have caused static volume and excess capacity.

Without going into detail on these individually, it is my opinion that these fundamental weaknesses are not going to change radically in 1958. For instance, a recent survey shows that among 41 leading manufacturing industries, the brewing industry ranks 36th with average net earnings for 1956 being only 8.1% of net assets, and 3.3% on net sales. These results compare with 13.9% and 6% respectively for *all* manufacturing. The narrow profits in brewing do not necessarily indicate instability or weakness. Five other industries show a lower ability to earn a reasonable profit. Among these are dairy products and meat packing, neither of which are weak or unstable. It does, however, place the burden on management.

Individual breweries with alert and careful management can improve their position. But the attrition among the smaller independent brewers is inevitable.

The prospects for the long time trend in the brewing industry, however, are favorable. Recent population and market studies forecast that by 1960 total beer consumption will increase to 88 million barrels. That is only 3.4%. But by 1965 consumption should have climbed to 95 million and by 1970, to 104 million barrels. That is 11.8% and 22.3% respectively from present levels.

We at International believe our combination will continue its favorable progress and will continue its policy of expansion.

JOHN D. BIGGERS
and
GEORGE P. MacNICHOL, JR.

Chairman and President, Respectively,
Libbey-Owens-Ford Glass Company

Although certain segments of the flat glass industry have suffered severely in the last two years from heavy imports of both window glass and plate glass made in low-wage countries, demand has picked up considerably in the final months of 1957.

John D. Biggers

G. P. MacNichol, Jr.

The liquidation of distributors' stocks plus good customer demand eased somewhat the import pressure in the closing weeks of the past year. There are indications that the glass industry has come through its mild recession and turned the corner earlier than many other lines of business.

We are receiving forecasts of an upturn in general construction and increased residential building in 1958. There is also the present stimulus of new automobile models using more glass.

There have also been additional orders for twin-ground plate glass from the mirror trade. Large school and hospital building programs are scheduled. Seasonal demand for window glass has shown an increase. However, we still have the foreign glass threat hanging over our industry but there are some favorable signs for the new year.

Libbey-Owens-Ford is creating increased interest in fields where new products have been introduced. The company has brought out Vitrolux, a ceramic colored plate glass for spandrels, and Parallel-O-Grey, a new neutral grey plate glass, both especially for curtain wall construction in large buildings with many utility and decorative uses in smaller structures.

Specialty mirror products of the Liberty Mirror division and the new silicone-interlayer type of laminated windshields for supersonic aircraft have both contributed to increasing sales in their fields.

We estimate that total sales of Libbey-Owens-Ford for 1957 may be off about 10% from the preceding year, although about 5% above the average for the last five years.

Costs of raw materials, transportation, and labor have continued to advance through 1957. However, large plant expansion by LOF in the last two years has contributed operating economies in 1957, and the indicated reduction in earnings will be slightly less than the decline in sales. The new facilities have given the company an increase in plate and safety glass capacity. Capital expenditures in 1957 have been largely directed towards improvement of window glass facilities at the Charleston, W. Va., and Shreveport, La., plants.

The most discouraging factor in the industry, however, has been the continued flow of imports resulting from a series of tariff reductions in recent years. Tariff cuts on window glass from 31.3% of average sales price in 1946 to 8.5% in 1956 have been followed by import increases from 96,000 sq. ft. in 1946 to 275,000,000 sq. ft. single strength glass basis in 1956.

Important factors in any long-range outlook for flat

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glass are the growing population and the well-established trend towards the use of larger areas of glass in automobiles and in all kinds of buildings.

General economic conditions are expected to stimulate quality competition in the flat glass industry. There will be continued emphasis on product development and creative selling.

FRANK H. BISHOP

President, Allied Products Corporation

For 1958, we are projecting annual sales of approximately $30,000,000 or 15% over 1956 which was our largest year in history. This after a careful study of general business conditions and a very close and analytical review of each of Allied's many 1958 undertakings. We feel confident of this growth because the volume is either already on our books or so well in hand that we are reasonably well assured of its accomplishment.

Frank H. Bishop

(1) Two of the big three automobile manufacturers did very little in model changing for 1958. Soon after the introduction of the 1958 models it seemed evident that public reception was warmest toward the cars with radical changes. This has already made itself felt in the large die and tooling business. Programs for model changes have been speeded up by all automobile companies, and in some instances 1960 changes are being pushed into 1959, some on a "crash" basis. Despite die purchases in Europe and increases in the "captive" die forces of the Big Three, our present bookings on large die work are 100% better than a year ago. This will probably not be another 1956, but nevertheless will do several millions more in this business than in 1957.

(2) The "Cold Flow" metal process is presently being operated in two plants, new additions to Allied located at Caro and Port Huron, Michigan. This is practically a new industry making many present day and new items by a greatly advanced, lower cost method. We have licenses from a firm in the United States and one in Germany who have patents issued and many more applied for. Incidentally, this is not to be confused with the "Kold-Flo" process that has been available in this country during the last decade. We, as pioneers of the "Kold-Flo" method, expect to produce several millions in volume of these products in 1958, all of which will be new business for Allied.

(3) This past summer we purchased at public auction of the Pressed Metals Corporation of America a sizeable portion of its equipment. This has been placed in operating condition in about 50,000 square feet of floor space that we leased at the Port Huron plant. Also, we have been very fortunate to have associated with us a number of the former executives of Pressed Metals Corporation of America who were operating a successful business prior to its recent sale. These gentlemen own patents on parts and processes that were used by the prior Pressed Metals Corporation of America in the conduct of its business. Allied now has exclusive licenses under these patents and we are developing a business in automobile and truck suspension parts like torsion bar suspensions and air-ride that will bring to Allied several million dollars of new business annually.

(4) Our plant at Eaton Rapids, Michigan has obtained a contract from one of the country's largest merchandisers to build several models of aluminum boats in two sies (14 ft. and 15 ft.). The hulls of these boats will be made by forming three major stampings and welding them together. These dies, which are now in "tryout" are forming as large a metal stamping as any ever attempted. Production which is scheduled to start next month should add several millions of new sales annually.

(5) Recently we introduced a new three-speed transmission and coaster brake for bicycles. We believe the Cole-Orchard patented transmission is the only three-speed type being produced in this country and will compete with imports, mainly from England, Germany and Austria. Tests made with hand produced prototypes were well received. Orders from sevedal bicycle manufacturers are in such volume that we are setting up a new plant for this production.

In addition to the projects listed, we have under development other items of a proprietary nature which when produced will create "captive work" for our component parts and tooling and die divisions.

At the moment we are suffering from a slow but long uninterrupted cycle of inflation. Further current uneasiness is caused in applying a restriction on money and credit to check the inflationary trend. Add to this condition the spectre of fear that we are way behind in "missilry" brought into world-wide focus by the advent of the "Sputniks" and you can understand why our momentum is arrested by doubts of just where we do stand. The real facts which we think will be developed soon will probably show that we are not too far from leadership in defense and scientific achievements, and perhaps "Sputnik" will represent a blessing in the disguise of a severe warning. The present tone in Washington is a serious "down to business" attitude that will accomplish much and soon. All needful expenditures will be voted promptly and the necessary work will be attacked with vigor. We believe that before the year is done the entire nation will be busying itself with the task of "keeping ahead." To our way of thinking this drive will bring our industrial activity for the last few months of 1958 to even higher levels than at any time in the past.

Dynamic Detroit feels the national "pause" and the realistic automobile industry must take the "slow up" quickly in stride. However, as we have mentioned before in these articles, the leaders of the largest industry in the world do not stand still. Many changes are being planned to restimulate the buying public's acceptance. Due to the present "pause," car production may be as low as 5,500,000 as now freely predicted but the chances are very good that the 1957 accomplishment of better than 5,800,000 can be repeated providing no long interruption is caused in negotiating the new labor contract. The business atmosphere during contract negotiations should help to establish the basis for a more constructive agreement than the one under which we have been working. While we don't want anyone to think that we in Detroit underestimate the Union's drive and unilateralism, we believe that economic forces currently at work will help to mentally condition both Labor and Management toward avoidance of furthering the "down beat." We feel that despite the present "tough" demands being made public by the union leaders enough good sense may be generated in the rank and file to accept a more reasonable settlement geared more exactly to productivity improvement, thereby helping stem the inflation cycle.

H. G. BIXBY

President, Ex-Cell-O Corporation

Michigan industry should experience a relatively good business year in 1958 despite a slight recession during the first half. Profit margins will continue their decline.

Current layoffs in automobile plants are expected to dwindle later in the year as expanding missile production bolsters the state's economy.

H. Glenn Bixby

Michigan's business leaders indicate that they won't depend on defense spending alone for recovery. They are launching their most intensive sales campaigns since the boom began.

As a result, the year should produce total sales well above the average levels of the past 10 years. Employment likely will return to comparatively high levels.

Meanwhile, the present downtrend will enable industry—particularly the smaller firms—to evaluate and correct any inefficiencies in their operations. With competition increasing as consumer spending tightens, a number of companies are discovering the need to reduce costs and to step up production.

Conseqently, the benefits of automation will be extended to much broader areas of industry. Smaller plants will seek means to become more fully competitive. This will tend to strengthen the entire economy.

Michigan's quick recovery this year will be due in great part to the industrial diversification which has been under way for some time.

No longer does a slump in one field of manufacturing cause serious repercussions throughout the state. For example, the Michigan machine tool industry is affected particularly by the present sales decline.

However, the Ex-Cell-O Corporation of Detroit, a major producer of machine tools and accessories, anticipates that its total sales in 1958 will not dip more than 10%. This would mean that the firm's gross reveneus still would exceed the 1956 figures.

This continued relative prosperity can be attributed to diversification. While orders for machine tools have fallen off, Ex-Cell-O registers steady growth in certain other product lines, notably automatic milk packaging machines.

For instance, Pure-Pak machines made in Detroit will account for sales of an expected 10 billion paper milk cartons in 1958, a new high. This is compared with less than 200 million cartons in 1940.

Many Michigan manufacturing plants also have learned how to adapt their facilities quickly to defense needs. As a result the state expects to play a major role in the production of missiles.

A number of Michigan firms have been engaged in manufacturing precision parts for aircraft. Just as their research has enabled them to keep abreast of the transition to jet engines, they now are making ready to get their share of the rocket engine business.

At Ex-Cell-O, where precision parts for aircraft and other industries represent the major share of total sales, officials predict that manned planes will continue to be a key factor in America's defense, however.

While the general business outlook in Michigan remains favorable, many businessmen are gravely concerned about the steady drop in profits. For instance, the Ex-Cell-O Corporation looks for a decline of about 20% in profits in 1958.

This downward spiral is traced to three factors—high taxes, inflation and productivity which is not keeping pace with rising costs.

Unless these trends are modified, they feel, economic strangulation will set in. Industry will not be able to finance the expansion necessary to serve the rapidly growing population.

Many industrial leaders in the state believe a planned program of tax relief is essential to future security. They recommend suggested legislation which would provide for an orderly reduction of rates, but which also would permit a suspension during a national emergency.

Truly, cooperation will be needed at all levels to curb the upward cost-push pressures on production.

LYMAN B. BRAINERD

President, The Hartford Steam Boiler Inspection and Insurance Company

In spite of indications that the general industrial pace may have recently slowed somewhat, it has been our experience that such slowing must persist for some time before its effects are felt by the boiler and machinery insurance line. We see no reason now for feeling that demand for this insurance protection will not continue strong in 1958.

Lyman B. Brainerd

Perhaps as good a way as any for appraising prospects for the line in the period ahead may be to examine the trend established by this form of insurance over the past several years. For 1948 the total earned premiums of the several companies writing boiler and machinery insurance was $28,952,875, as against an estimate for 1957 of $64,500,000. Thus, during this ten-year period, there has been an increase of approximately 122%.

The increase in written premiums during the decade has likewise been substantial. However, because most boiler and machinery policies are written for three-year terms the years in which the largest volume of renewals occur tend to be large ones as contrasted with the other two years of the cycle. As a result a comparison of the writings of one year with those of another is not of so much significance as is a comparison of two three-year cycles. In the three years ending with 1948, written premiums for the industry were $91,298,264; in the three years ending with 1957—using an estimate for 1957—the total was $190,200,000, or an increase of about 108%.

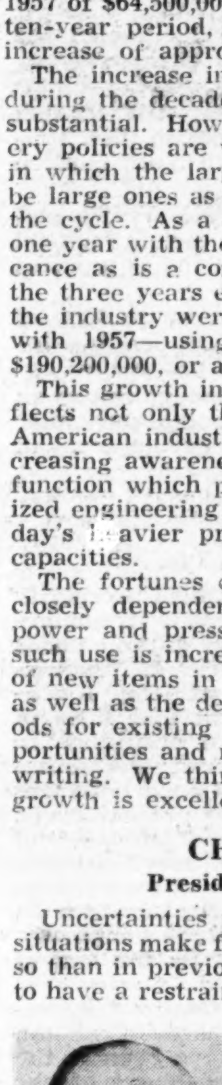
This growth in both written and earned premiums reflects not only the expansion which has taken place in American industry since World War II but also an increasing awareness on the part of industry of the vital function which power plant insurance, with its specialized engineering and inspections, plays in protecting today's heavier property investment and higher earning capacities.

The fortunes of boiler and machinery insurance are closely dependent on the extent to which mechanical power and pressure vessels are used by industry, and such use is increasing. The constant advent of all sorts of new items in chemicals, petro-chemicals and plastics as well as the development of new manufacturing methods for existing products are steadily enlarging the opportunities and need for this form of insurance underwriting. We think the outlook for the line's continued growth is excellent.

CHARLES S. BRIDGES

President, Libby, McNeill & Libby

Uncertainties in both the international and domestic situations make forecasting particularly hazardous—more so than in previous years. These uncertainties are bound to have a restraining effect on our economy, so 1958 may well be a year for marking time while we overhaul the business mechanism in preparation for another long pull. It will probably be a year in which Americans will have to get used to the idea that breaking records isn't a continuous and irrevocable process.



C. S. Bridges

Canned and frozen foods are still undergoing adjustment from oversupplies of the past two years. There is still need for bringing inventories and packs into better balance with consumer demand.

Capital investment will probably be below previous levels in the canning industry and in frozen foods. Facilities appear to be more than adequate to meet present needs. Production capacity today is the highest ever, and underscores the need for broader consumption.

The spirited competition for space on dealers' shelves which has characterized sales activity in recent years will be conspicuously present. A vigorously competitive atmosphere is the rule when there are more goods available than can be absorbed in the orderly flow of consumer buying. Already conditioned to meeting competition head on, the industry is making plans to streamline and step up merchandising activities.

Sliding prices generated by competition and overpacks now seem to have leveled off. The trend appears to be upward on some products with very few showing evidence of decline. Current prices are somewhat better than they have been for some time. They are likely to remain at current or higher levels in 1958.

Industry's ability to cut costs will be put to a severe test again this year, since rising costs are still outstripping price increases. While prices have strengthened here and there, it is doubtful whether industry can count on prices favorable enough to offset higher costs. There is no ceiling on more efficient processing, which has done a good job of cutting unit costs—but the gap between costs and selling prices is still narrowing. A better balance between supply and demand, which seems likely in 1958, should improve profit margins in the industry.

The convenience factor in canned and frozen foods is one of the industry's best guarantees of progress. Ideally suited to the every-day needs of homemakers, they have taken deep root in our eating habits. Their popularity is still on the rise. Our population is growing steadily and consumer income remains at a high level. People

are spending a proportionately higher percentage of their income for food. Humans have to eat, of course—but they eat much better when they have the wherewithal to do it.

CARL D. BROREIN

President, Peninsular Telephone Company

Florida enters the year 1958 with confidence that its economy will continue healthy. Spokesmen in the fields of business, including industry, tourism and agriculture seem to agree that the current business readjustment will affect Florida only to a minor extent.

Carl D. Brorein

Governor LeRoy Collins has said, "Almost every growth trend seems favorable to us in the three major phases of our economy . . . (also) Military defense installations in the State account for far greater support than is generally recognized. These likely will be expanded in 1958."

The State Development Commission estimates that more than $100,000,000 has been spent here for new tourist accomodations. Americans no longer consider vacations a luxury but a necessity, and more and more people of the nation are going to enjoy them. As one of our prominent bankers has said, "Everybody still likes to come to Florida, and with the increasing population we will have increased business."

The very substantial telephone growth in Florida is a direct result of the expansion of businss and the continuing influx of new people and industries. With about one and a half million phones now, Florida has more phones in use than any other southeastern state.

The several telephone companies serving Florida had a total payroll in 1957 that was well over a million dollars per week. Together with their year's gross construction budget that substantially exceeded $100,000,000, this was no small contribution to the economy of the State.

On a stock exchange offer, more than 98% of all Peninsular common stock was exchanged for common stock of the General Telephone Corporation during the past year. Thus Peninsular is now a part of the General Telephone System, and Florida became the 30th State in which it operates.

This alliance with General undoubtedly will add fresh impetus to the exceptional growth we have already enjoyed—a 200% increase in telephones in the past 10 years. Our construction budget for 1958 (required to keep pace with anticipated population and business growth) will exceed $25,000,000.

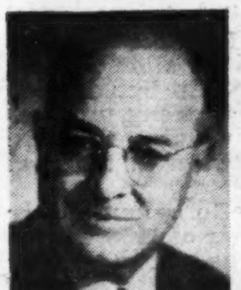
During 1957, Florida was second among all states in the number of homes built, and in the number of new businesses established. During the next 10 years, it is estimated that Florida's households should increase by 50%—that income per family will increase by 25%.

Other factors such as the ever-increasing number of people retiring on assured incomes; the 1,100 miles of projected 4-lane highways—many things make the outlook for Florida and the telephone industry serving the State reasonably optimistic.

E. F. BULLARD

President, Pan American Petroleum Corporation

The oil and gas producing industry can look forward to a year that will, in most respects, be quite satisfactory. One or two problems—carry-overs from previous years—continue to plague our operations, however.



E. F. Bullard

We forsee domestic demand for 9.3 million barrels daily in 1958, as compared with approximately 8.9 million during 1957. Exports will add another 300,000 barrels daily during the year, bringing total demand to 9.6 million.

Imports of foreign oils probably will average about 1.6 million barrels daily, an increase of about 100,000 barrels a day over 1957. Domestic production of crude oil and natural gas liquids should approximate 8,200,000 barrels a day, as compared with 8,000,000 barrels daily in 1957. The 1957 figure is somewhat inflated because of the extra demand for U. S. crude that occurred during the first quarter as a result of the closing of the Suez Canal.

Drilling should exceed 1957, although it will probably not reach the peak year of 1956. We estimate 57,000 total wells for the coming year, as compared with 54,500 in 1957 and with 58,160,160 in 1956. Approximately 12,000 of these will be wildcat or exploratory wells, as exploration continues near the levels of recent years.

These statistics point to a year that would be considered excellent by any standards prior to 1955. In the light of 1955 and 1956, however, the prospects for the coming year can only be termed good.

At the root of the problem is a "temporary" oversupply resulting in large measure from stepped-up domestic production during the Suez crisis, and failure to cut back fast enough and far enough when that crisis ended. The result was a substantial surplus of crude and products in the U. S., complicated by steadily growing levels of imports before the voluntary control plan was instituted in August. Working off part of this tremendous inventory was responsible, at least in part, for lessened levels of activity in 1957. A rate of demand growth smaller than forecast also was a contributing factor. Combined, these several aspects served to weaken the price structure in various local areas.

With an anticipated resumption of the normal rate of demand growth—historically around 5% a year—we can look for gradually increasing levels of activity within the domestic oil and gas producing industry. Domestic production must remain our basic source of fuels, since imports obviously cannot be depended upon to any substantial extent in the event of national emergency.

Natural gas remains a problem, one that grows more complex with each passing month. At the field level, the effect of the so-called "Memphis decision"— which prevents approval by the Federal Power Commission of proposed pipeline rate increases unless utility purchasers concur—was quickly felt. Negotiations pending on new purchases of reserves were deferred by pipeline-buyers. Expansion plans of several pipeline systems were delayed or cancelled.

Piled on top of the utility-type controls on independent producers stipulated by the Supreme Court's decision of 1954, the Memphis decision left the natural gas industry in complete turmoil. Consumers of interstate gas may not feel the full effect for several years. But with producers preferring to sell in intrastate markets, and with interstate pipelines unwilling or unable to buy gas, the consumer of interstate gas will ultimately find himself without adequate supplies. Remedial legislation, such as the Harris-O'Hara bill, and a reversal of the Memphis decision are the only possible solutions to an impossible situation.

Imports of foreign oils may cease to be the burden they have been, if the voluntary limitation plan is followed to any reasonable degree. Ultimately, production in Texas should climb back to more nearly normal levels, from the 12-day producing schedules in effect in the fourth quarter of 1957. This in itself should have a stimulating effect on drilling, since there is a direct correlation between funds available to the industry and the number of wells drilled.

Costs have been rising steadily over the past few years, and there is little or no reason to assume a change in this trend. Deeper drilling, exploratory effort in more inaccessible places, higher prices for equipment and suppiies, and higher labor costs all contribute to this situation. Crude oil price increases over the past 20 years have done little more than offset the steady devaluation of the dollar, and it is only owing to the continuing increases in efficiency demonstrated by the industry that crude oil and products prices are not higher than they are today. How long efficiency improvements can continue to stand off the challenge of rising costs is open to question.

Nothwithstanding these problems, however, 1958 should prove to be a satisfactory year for crude oil and natural gas producing companies. It will not be as good as most of us would like, nor will it be as bad as some seem to fear. That capital spending in the industry will remain high is clear evidence of confidence in the future.

H. BORIS BURNS

Chairman and President,
U. S. Vitamin Corporation

The future outlook is bright for America's great ethical pharmaceutical industry as it continues to reap the harvest of seeds of research sown during the past decade.

H. Boris Burns

Shattering all past records, this highly specialized industry (marketing to and through the medical and allied professions, in contrast to advertising direct to consumers) range up a new high in 1957 of an estimated $1,600,000,000 sales at manufacturer's level.

Giving top priority to research, this industry might be said to write its own insurance policy by plowing back approximately 5% of sales into research and new product development. Testimony to how the industry's intensive research programs pay off is the startling fact that about 80% of the products making up this year's record sales were introduced only within the past 10 years.

It also enjoys certain built-in stabilizers such as continuing population trends. Births for 1958 are expected to reach a record 4.4 million; after subtracting anticipated deaths, this will leave a net gain of three million persons . . . new customers chiefly at both ends of the life span where per capita spending for medicines is high.

The industry's achievements in 1957 point the way to developments in '58. The Cinderellas of '57—tranquilizers and vaccines (Salk and Asian Flu)—accounted for over $300 million in sales, and seem destined for still higher levels this year. Antibiotics added another $50 million in 1957 to their previous annual volume of approximately $350 million. New sales peaks were also achieved with vitamins, hormones, antihistamines and sulfa drugs.

Important newcomer on the scene is the long sought oral treatment for diabetes. Upjohn's tolbutamide, a sulfa-type drug, made its bow in 1957. While not effective in all types of diabetes, it has freed many patients from the routine of daily injections of insulin. Showing promise of even broader usage in all types of diabetes, all ages, including juvenile diabetics and other difficult-to-control cases, is a new oral anti-diabetes compound, DBI, developed in the research laboratories of the U. S. Vitamin Corporation. Extensive studies with DBI in animals and humans to date show this unique compound (unrelated to sulfa-type drugs) to be free of toxic effects on the liver, kidneys and other vital organs.

Prominent among new drug developments is Merck's dramatically effective oral diuretic, chlorothiazide (DIURIL), which also has properties of lowering blood pressure. Described as both safer and more effective than most existing medications, it should prove a pace setter for 1958.

Energizers and mood elevating compounds are also expected to enjoy increased medical usage, and may add significantly to the overall sales volume.

Medical headlines were made in 1957 with the unsaturated fatty acids in the battle against excessive cholesterol, a type of fat in the blood, said to cause coronary atherosclerosis, the nation's greatest killer. Because the liver helps regulate cholesterol in the blood, doctors will be using combinations of lipotropics (which normalize liver function) with the unsaturated fatty acids. A pioneer in lipotropics, U. S. Vitamin is first on the market with such a combined product, called LUFA capsules.

The industry's far-sightedness and vigorous research programs, together with substantial capital expenditures, reflect a favorable long range outlook. The momentum of 1957's growth and development is expected to extend over into 1958 and it is conservatively estimated that the "healthy" ethical pharmaceutical industry will top the $1¾ million mark in sales this year.

G. B. BURRUS

President, Peoples Drugstores, Incorporated

The capital outlay for expansion during the year of 1957 reached a new high. The addition to the Warehouse building has been completed. In order to obtain the maximum benefit of this addition, it was necessary to completely re-arrange and re-equip the entire warehouse. This—combined with the moving, enlarging and modernization of our Food Commissary — involved additional expenses in 1957.

G. B. Burrus

The year of 1957 showed a sales increase of approximately 8%. A large portion of this increase came from the new and larger self-service stores opened during the year.

All phases of operation are being studied in an attempt to curb the ever-increasing operating costs. We believe our new Warehouse and Food Commissary will enable us to handle the additional volume, which will be developed from our future store expansion program, at a more economical rate per dollar of sale.

Our expansion program of large self-service stores in newly developed Shopping Centers will continue. We believe these new retail outlets will not affect the volume of our present stores.

The selection of profitable locations becomes increasingly hazardous as the population continues to move and new shopping centers develop in a given area.

We believe that the year of 1958 will produce another record Sales Volume. However, greater competition for the sales dollar will keep retail prices at a low level and combined with the pressure of increased operating costs will produce smaller profits from each sale.

The year of 1958 will be a real challenge to the retail drug store operation. Improved service to the customer, aggressive merchandising and simplified operations appear to be the only answer to a successful operation.

WARD M. CANADAY

Chairman and President,
The Overland Corporation

The prophets who now predict an optimistic reverse in our economic weather do not tell us, of course, when the value of securities will equal the quotations of last July, or when the upward march of profits will carry values further forward, or how long the forward march of profits may be sustained. It seems obvious that the basic danger to our economy is the albatross of steadily accelerating costs which are hung around the neck of industry.

Farm subsidies by the billion must come from taxes chiefly provided by industry. Misguided union leaders, tying wages to living costs instead of production, are adding more billions to industrial burden. These burdens create an artificial and growing pressure to obtain more volume to offset shrinking unit profits.

Billions of dollars worth of equipment and services, bought with American taxpayers money, have been supplied to industrial countries with low individual incomes. The resulting product is undercutting our foreign markets and penetrating our domestic markets. To sell manufactured goods at the rising prices due to constantly increased costs in industry, long term credits have been stretched to a hazardous degree in such important volume items as automobiles, houses and nearly every other manufactured product for home consumption. Thus in a sustained period of great prosperity, industry is faltering under a staggering load of costs. To this cost there has been added another load of increased interest rates which also creates an additional operating cost to our government and thus add to the load of taxes which industry will have to provide.

There is danger that this situation which is throttling industry will not be corrected this side of catastrophe because every phase of Government's control of expenditures is restricted by the necessity of not losing votes, and every phase of industry is committed to the necessity

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of not losing volume. This complex tangle defeats economies in industry and prevents economies in Government.

We are rapidly unbalancing our industry by increasing costs without equivalent profitable production. Under these conditions labor's rigid stand on higher and higher wages unrelated to productivity, tends to precipitate the very thing that labor wants to avoid—increased unemployment.

To this domestic problem is added the complexity of world military and political competition, which is sapping the financial strength of industrial nations, and particularly is adding to the long range burdens of U. S. industry.

The foreseeable prospect indicates a continuing round of inflation of prices and a steadily increasing depreciation of unit profits as well as the real reward for an hour's work and the real value of savings.

With industry profits per unit of production reduced sharply in many instances under peak production, obviously it would not take a very great turndown in volume to make a heavy reduction in profits. The layoffs of labor due to reduced orders and curtailed production already are having a cumulative effect. Laying off a thousand men can bring fear into the minds of many thousands and reduce their willingness to buy goods or services.

The correction of this trend can be accelerated only to the extent that common sense and cooperation is applied by all groups involved. The possibilities of the new frontiers stir our imaginations but their attainment will require planning and work.

Unless these factors are realistically resolved they scarcely provide a dependable support for the thesis of early and sustained advance in industrial profits.

A. E. CARLSON

President, Comptometer Corporation

Cutbacks in defense spending early in 1957 and the tight money market which curtailed industrial capital expenditures from April to the end of the year, severely affected the office equipment field—particularly producers and sellers of end products. Indications for 1958 point to continued business at high level throughout the entire year but with substantial reductions in capital outlay. I look for a definite easing of the tight money market by the Fall of the year, and a continuation of the current tight economy for a portion of '58 with an upswing probably entering the picture during the second half.

A. E. Carlson

It is evident we are in a period of adjustment, with many organizations re-evaluating their productive capacities and carefully scrutinizing their cost levels. There is also the realization that profit margins are not what they were heretofore; and there is increasing awareness for the need of intensified controls of costs is satisfactory profit margins are to be maintained.

These factors lead to a closer examination of cost reducing methods and equipment. The use of automation in plants and offices will be more widespread where it can be shown that economies will result. I believe the office equipment industry must do an intelligent, aggressive job of demonstrating and proving that their devices will benefit the economy of the prospective purchaser in materially reducing costs of data handling. Comptometer Corporation has directed its activities into this area during the past year. We feel our products, including the data processing machine COMPTOTAPE, offer definite material cost savings to our customers.

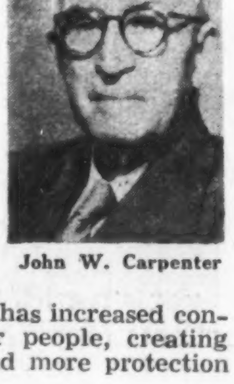
I think the current economic adjustment will continue for at least another six months, followed by the establishment of a solid plateau to serve as a base from which business will grow at a steady if not as spectacular a rate as has been manifested over the last ten years.

JOHN W. CARPENTER

Chairman of the Board, Southland Life Insurance Co.

It is especially pleasant to pause and consider the outlook for the insurance industry for the year 1958, for in this year our Southland Life Insurance Company will reach its Fiftieth Anniversary and will complete its new home office of 42 stories known as Southland Center, the most distinguished business address in the South.

When we contemplate the growth of this country in the last 50 years, it can be nothing but amazing. Fifty years ago our agents were traveling on horse back and buggy as they made their calls on prospective policyholders. Skyscrapers were unusual things. There were no planes, our large cities were small compared to today and there were relatively few college graduates.



John W. Carpenter

During these five decades tremendous advances have been made. Advances that few people could even envision at that time. Medical science has increased considerably the life expectancy of our people, creating added need for retirement income and more protection for families left behind in the case of the untimely death of the bread winner.

Our economy has changed from a rural one into an industrial giant. Great corporations that were not even known at that time have grown up. They furnish to their employees retirement plans and hospital and group insurance. These plans along with government insurance for the armed services and social security and a better educated population have caused our American people to become more conscious of their need of and the benefits to be received from life insurance. This has caused a tremendous growth in the number of policyholders and the amount of insurance in force. And incidental to our growth, the life insurance industry has become one of the principal sources of savings to be used in the financing of the future growth of this country.

Therefore, as one who has been closely associated with this industry for the past 50 years and as one who has seen and had a part in its dynamic growth, I feel qualified to say that the next 50 years holds even greater things for the people of America. As amazing as the last 50 have been, I do not believe that they will compare with the wonderful advances that will be made in the next 50. Our industry will continue to grow as our people recognize more and more the advantages of well planned family security.

I feel that 1958 will be another year of progress for the nisurance industry, with an increase in our service to the American public and an increase in the number of policyholders and in the amount of insurance in force. This is a year that we can face with confidence, knowing that continued hard work and better service to our public will play a great part in the wonderful future ahead.

O. ROY CHALK

President and Chairman of the Board, D. C. Transit System, Inc., Washington, D. C.

Problems with which management of private mass transportation systems in urban areas must contend in 1958 will be difficult. Favorable solutions can be found. The full cooperation of all regulatory agencies will be necessary. Sympathetic understanding from agencies having the power to tax—Federal, State, County and City—is a "must."

Evaluation of the difficulties to be overcome is simple. Basic wages have risen sharply during the past two years. Cost of living increases have been substantial. The full brunt of the accumulated effect of these increased costs will be felt in 1958. More and more highways and bridges are being constructed. They attract additional private motorists who enter urban districts and clog the vital city streets. Interference with mass transportation grows more serious. In some instances, the system which is designed to move people in masses is completely paralyzed.

O. Roy Chalk

Optimism for the future is based upon a few developments which are apparent but not too well-defined at present. In come quarters, the use of mass transportation holds steady. This contrasts with a universally-experienced drop in patronage, year after year, in previous period. Taxing authorities have become aware of the necessity of granting relief from archaic and burdensome —and even discriminatory—taxes. In some cases, notably Washington, D. C., actual and substantial relief has been granted. An extension of this intelligent approach to a basic problem is assured. It will be of great assistance to the national improvement of the mass transportation industry.

Private companies will continue to exercise doggedness, ingenuity and a sincere determination to serve the public. This is necessary for survival. Ways will be found to make service more attractive, speedy and convenient. New and improved equipment will offer additional inducements to riders.

Current economic trends will cause many individuals to re-examine their private budgets. A realization of the savings to be effected by riding buses and streetcars will persuade them to leave their automobiles at home. The result will be beneficial to all: the riders, the transit companies, and the cities.

Recent experiences in several cities that were plagued by transit strikes re-emphasize the vital part played by mass transportation in a city's life. Municipal officials should need no further reminder of this. These officials want service and they want it at a fair price for their constituents. Management does not relish fare increases. Friends are not made that way. It follows that both regulatory officials and management have a common problem. The solution is brought much closer when the path of the transit vehicle is kept open.

An encouraging development has been the open approach to aid for transit by regulatory officials. Public opinion can be seriously influenced by the attitude of its governing officials. Apparently, the time when a private mass transportation system was considered an ideal "political football" is on the wane. Now it is considered in good taste to publicly express interest in the welfare of the private management of a transit system. The owners and directors of such systems will demonstrate their appreciation of this support. This cooperative effort will be expanded and will instill new life into what has too often been referred to as a "dying industry."

HAL N. CARR

President, North Central Airlines, Inc.

The U. S. scheduled airlines—domestic, international, Alaskan and territorial—flew 31,500,000,000 revenue passenger-miles in 1957, an increase of 14% over 1956.

The domestic trunklines showed a 13.5% increase in business last year, but profits were less than half those of 1956. The Air Transport Association of America blames the situation on skyrocketing business costs and fares which are outdated.

The nation's 13 local service airlines flew a total of 756,500,000 passenger-miles in 1957, a 20% increase over last year. Air mail was up nearly 5%. Air express showed a drop of 2%, largely attributable to a three-month Railway Express Agency strike.

Hal N. Carr

The local service industry has every reason to believe that 1958 will be an even bigger year. Two recommendations by Civil Aeronautics board staff members would extend routes to new travel markets. The enthusiasm shown by many smaller cities for new air service indicates a need and desire for increased air service. Recommendations of the CAB examiner in the Seven States Area case could mean significant western expansion of local airline service. A recommendation from a CAB bureau counsel in the Great Lakes Area investigation, if followed, would extend and improve route networks in Michigan, Wisconsin and Illinois.

This should be a good year for the local airlines. Many will introduce newer and larger flight equipment to improve service on newer and longer hauls. In addition to expected improvements in route structure, system expansion and additional equipment, the locals can look forward to feeling the effects of permanent certifications made during 1956. Smaller cities are developing airports and terminal facilities to improve flight reliability and passenger service.

North Central Airlines celebrates its 10th anniversary next month (Feb. 24) by maintaining its leadership over the local airline industry (first in passenger, air mail and air express volume). During 1957, North Central carried approximately 660,000 revenue passengers, a 21% increase over 1956. The company's fleet of 27 DC-3 Northliners flew a total of 9,228,600 miles last year and 442,000,000 miles in its first 10 years of operation. Commercial revenues rose from $6,500,000 in 1956 to $8 million in 1957.

This year, the company expects far-reaching improvements to its route pattern through the Seven States and Great Lakes cases. If the board follows staff recommendations, North Central would add 24 cities and 2,832 route-miles to its present 3,240 route-mile system. To date, the airline serves 52 cities in nine states.

In 1958, North Central anticipates commercial revenues will reach $10,000,000 and that it will again establish new records for the local airline industry in traffic and performance.

F. H. CHAPIN

Chairman of the Board, The National Acme Co.

I think anyone will realize that forecasting under present conditions is very difficult. I do not think, however, that the prospect for business in the machine tool industry should be regarded as discouraging.

The present almost total suspension of buying on the part of the larger users of machine tools seems to be induced by a greatly confused economic and political situation. Most of the forecasts of so-called economists reveal such a variation of opinion that it cannot help but develop a great uncertainty among prospective buyers as to whether they are going to move forward in the next six months.

It appears to me to be quite clear that the first quarter of 1958 will be relatively slow. The second quarter should show slightly better. I feel that the last half of the year will not be too disappointing.

F. H. Chapin

The necessity for labor-saving tools to combat the ever increasing labor costs will be sure to induce machine tool users to commit themselves for modern machine tools in order to achieve higher productivity with consequent lowering costs.

I have some fear that there is danger of the builder of machine tools pricing his product out of the market. There must be a more concentrated effort in engineering machine tools to produce a greater versatility with greatly simplified design and a thorough examination into all phases of the costs. Otherwise, the machine tool manufacturer is going to find it difficult to interest prospective buyers. During the past few years machine tool builders have stood with their backs to the wall so busy trying to stretch out delivery commitments that there has been little time to devote to redesigning and improving their product.

Another difficulty has been the scarcity of top-quality designing and developing engineers. There has been such sharp competition for the relativerly few of these talented men that practically all of them have been engaged before completing their college work by some of the higher scientific enterprises. I realize that this is getting a little off the subject of prospects for improved eco-

nomic conditions, but I think it ties in very strongly to what may be expected in the machine tool industry. And manufacturers thereof could help themselves by concentrated examination into the possibility of redesigning and simplifying much of the present complicated machinery so that it may manufacture it without greatly increasing the cost, if at all, still be able to perform the many and additional operations that are now being accomplished by secondary operations.

There will always be a demand for efficient metal working tools, but the business is going to fall to those manufacturers who can hold the price line still deliver satisfactory labor-saving machines.

MURRAY COHEN

President, Consolidated Laundries Corporation

The Linen Supply Industry, as a whole, has evidenced a sales increase of approximately 10% in 1957, and it is my belief that this rate of increase could carry over into 1958. It is difficult to predict a definite sales increase at this time as its fulfillment would depend to a large extent on the progress of other industries which we serve; however, with the trends which seem to be in our favor, I would not be surprised to see sales of the entire Linen Supply Industry reach a new high of approximately $450,000,000 in volume during 1958.


Murray Cohen

Our market is getting broader each year, with the expansion of motels, laboratories, food processing plants and particularly heavy industry, which is now using our services to a great extent. Uniforms are now supplied to employees free of charge by most industries as a fringe benefit, which makes for larger linen supply sales. Also, it has become more and more economical for large industrial and institutional organizations, which heretofore operated their own laundries, to dispose of its equipment (and the necessary labor expenses connected with it) and turn to the Linen Supply Industry for their uniforms and other laundry supply requiremens with substantial savings resulting therefrom. Similarly, the United States Government is looking more and more to the Linen Supply Industry for its linen requirements in Veterans Hospitals, service installations, and the like for the same reasons.

Altho the industry has had several wage increases, it has not passed along the entire amount to the consumer; it has endeavored to absorb a large part of the increases thru more efficiency and investments in machinery, thus enabling us to keep our prices comparatively low.

Because of the above, we look forward with great confidence to 1958 for the Linen Supply Industry, which is today one of the leading essential industries of the nation.

GEORGE L. CLEMENTS

President, Jewel Tea Co., Inc.

The business adjustment under way as the new year opens should not affect the continued forward progress of retail food chains. Rather it presents an opportunity to push forward with construction programs geared to a demand for food which is constantly growing and changing in character. The shifting of population and desire for new types of foods are perhaps more important than mere growth in the number of mouths to feed in determining the location and types of facilities needed.


George L. Clements

The present contraction appears to be centered on the reduction of inventories in areas where demand proved to be disappointing—such as automobiles, defense, construction and basic industries which serve them. While the outlook for automobiles is cloudy, and business capital expenditures are clearly headed downward, there are forces on the other side. Defense and possibly other expenditures by the Federal Government promise to rise, State and local government expenditures on construction seem likely to move up, and the position of residential construction also appears strong.

These positive forces, supported by an easier money policy, should permit inventories to be adjusted without precipitating a general downward trend. Once the inventory adjustment is completed, possibly by next summer, activity should again turn up as it has in the past and the growth typical of the American economy should be resumed. There is an indication some consumer goods industries, notably textiles and appliances, have been through a period of adjustment already.

Food store sales are closely related to disposable personal income. Within the general framework outlined above, disposable income should fall only moderately from the peak reached last summer. Based on experience with similar conditions in the past, the dollar volume of food sales should accordingly be well maintained in the early part of 1958 with an upward trend probable in the latter part of the year.

The retail grocery chains may be expected to continue to enlarge their share of the market since they will account for less than 40% of total food store volume and are in a strong position to take advantage of the trend to supermarkets. In 1956, supermarkets (defined as stores offering meat, produce and groceries and having an annual volume of at least $375,000) still made up only about 10% of the number of food stores in operation and realized less than two-thirds of the total dollar volume.

We expect that this year will witness some further expansion of non-food lines in supermarkets. In the case of our own company these will be held to items of a convenience nature. In addition we plan to expand our line of products of a prepared and cooked nature, notably delicatessen items, fresh-baked goods and frozen items.

The outlook for retail food prices appears to be about a stand-off for the year as a whole, though the average for 1958 may nose above 1957. Present record stocks of feed will no doubt result in more abundant supplies of pork in the latter part of the year, but in the present phase of the cattle cycle it seems likely that beef supplies will be lower than in 1957. This outlook, plus the fact that grain supplies in prospect appear more than ample, will be a restraining influence on prices, but will be offset by the continued rise in costs for processing and distribution occasioned by higher wage costs.

All factors considered, the environment seems favorable for continued progress by the food chains in 1958, in both volume and profits, though prediction of the latter item is necessarily somewhat hazardous. The food chain industry is expressing its confidence in the future by planning a record number of new stores in 1958. Jewel Tea Co., Inc., for example, is planning capital expenditures approximately triple those of 1957.

PETER COLEFAX

President, American Potash & Chemical Corp.

As anticipated a year ago, our national economy experienced a readjustment in 1957. This was contributed to by a catch-up of production capacity both here and abroad, contraction of capital investment funds due to high interest rates, and the continuing impingement of wage inflation upon profit margins.


Peter Colefax

The outlook for 1958 appears to be for a continuance of the adjustment and a resultant flattening out in the level of business activity, despite some easing in the money rates and the prospect of upward revisions in Government spending for defense activities.

Industry in general will also have to cope with a relatively high inventory accumulation situation. Therefore, 1958 is likely to be a period of highly competitive selling and intense application to control of costs.

From the long-range standpoint, however, there is reason to hope that the period of adjustment will not be more than a pause in the growth pattern of our economy. There are two significant factors influencing this opinion; the continuation of population growth and the increasing emphasis being placed upon scientific research in all directions.

While the chemical industry, in common with many others, must meet the challange of rapidly expanding production capacity and temporarily narrowing profit margins, it is still in the early stages of a vigorous upward trend. New products continue to flow in impressive numbers to supply the requirements of commerce and the Government.

American Potash & Chemical Corporation has complete faith in the favorable long-range outlook for the Chemical Industry. As an evidence of this confidence, we are proceeding with the construction of a new Sodium Chlorate plant near Aberdeen, Miss., and increasing our activity in the field of manganese chemicals. We are continuing our emphasis on research and plan to spend approximately 4½% of net sales to this purpose. The research program, while covering all of our products and areas of interest, is concentrated on the exploitation of the broad possibilities for development in the Boron, Lithium and Perchlorate fields.

Our company is the only one in the industry engaged in the production and development of all three of these chemicals, which, in addition to their commercial potentialities, have assumed importance in the high energy fuel, missile and rocket propellant fields.

JOHN S. COLEMAN

President, Burroughs Corporation

Continued high interest in electronic devices by business and an increasing demand for data processing systems in the nation's military program should result in an auspicious 1958 for the office equipment industry.


John S. Coleman

This conclusion is based on the reception given Burroughs' automation programs, plus present and anticipated contracts in the Air Force Atlas ICBM program. As a consequence, the Corporation has the highest backlog of orders in its history.

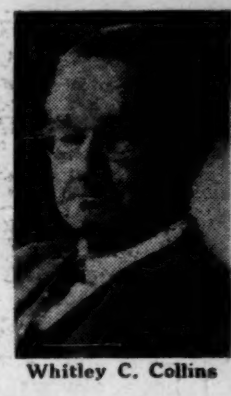
Increased returns can be expected throughout the office equipment industry from its heavy expenditures in recent years for expansion of production facilities and development of new products.

To be sure, new business will be tougher to get, especially in the first half of the year, but I believe that this very competitive industry is highly endowed with resourceful managements and intelligent sales forces which will successfully meet this challenge.

WHITLEY C. COLLINS

President, Northrop Aircraft, Inc.

Both the nation and our industry are faced with a situation in which our scientific and technological advances are so rapid and result in such complex and costly defense weapons that we are experiencing increasing difficulty in supporting the available technical possibilities while simultaneously maintaining a strong and expanding peacetime economy. It is quite clear that in the future this problem will become more and more acute unless we take constructive and positive steps now to find its solution.


Whitley C. Collins

Thus it seems to me that we must concentrate on using our creative talents and ingenuity to achieve less costly means of meeting defense requirements.

Our national defense faces this dilemma.

As a nation we cannot afford, either in money or resources, to put into production all of the new weapons which our explosive technology can provide. We cannot afford to buy weapons for every type of war, every type of strategy, and every type of technique.

On the other horn of the dilemma, neither can we afford to be outstripped by any other military power.

This is a perplexing problem. But we can regain our composure by viewing the problem in its proper perspective, by seeing it as but one phase—an early phase —in a much broader development.

Since the beginning of time, man has advanced by stages of development. Civilization has its own learning curve.

Today we are all but engulfed by a tidal wave of technological progress. But as we become acclimated to our new technological environment we shall also learn how to cope with it. We shall learn to make difficult choices—to choose the right road instead of trying to go down all roads at once. We shall learn that the greatest technological advance is reckoned not in absolute terms but in terms relative to cost. We shall learn that the final increment of performance may not be worth its high cost; that it may be better to achieve 95% of maximum performance for a tolerable cost than 100% of maximum at an expenditure that is prohibitive.

Already there are stirrings of recognition of these new trends.

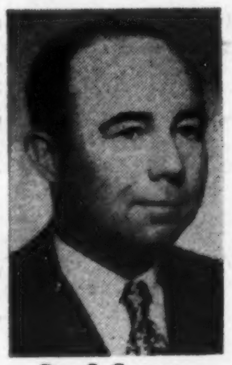
In our own company, we have set up new guide lines for ourselves. We have been reshaping our objectives. We see our job as more than an effort to achieve merely sheer maximum performance. We are beginning to strive for products that will deliver the necessary performance with a degree of simplicity and at a level of cost that spells feasible procurement, operation and maintenance. Our ultimate aim is to take a new step towards security with solvency.

As the chief executive of an aircraft company, I have a firm and deep-rooted conviction that the responsibility for presenting to the National Defense Establishment economical solutions to their problems falls squarely upon the aircraft and weapon system manufacturers. It is both our responsibility and our opportunity to demonstrate the qualities of true leadership.

DON S. CONNOR

President, Micromatic Hone Corporation

Much has been written about the decline in orders for new machine tools. Charts that compare the past year with the preceding years of unprecedented industrial expansion indicate a definite reversal in trends. However, I do not feel that we should be pessimistic about the prospects for the new year.


Don S. Connor

We can expect the market to be very competitive, and some real sales effort will be required. But, those machine tool builders that use this period to study and analyze their market, strengthen their organizational structure, and plan and carry out constructive research and development programs will prosper.

Many explanations have been given for the business slow-down—overproduction in some industries, "tight money" and the postponement of planned expansion, cuts in government spending, and foreign competition. Whatever the reasons, a market is being created for the machine tool builder who has tools which will produce a better part at less cost.

With contnuing inflation, increasing labor and material costs, a competitive market keeping prices down, the manufacturer must find ways of improving his profit factor. The development of new products, and the improvement of his processing methods and tools offer the most practical solution to his problem.

Many of the machine tools now in use are obsolete, either because of age, or because of improvements made in processing and machine design. This is the greatest potential market for the machine tool builder. However, it must be exploited by intelligent marketing of new techniques and new equipment.

In many cases this means reviewing basic principles, taking a fresh viewpoint and, if necessary, changing our

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approach so that parts are handled and machined as simply, economically and efficiently as possible.

We are developing in our research programs honing equipment which will remove stock more rapidly and in greater quantities. Machines are being designed, with building-block unit construction and simplified controls, to meet the needs of the modern industrial plants. All new equipment developments stress the generation of truly accurate functional surfaces and the minimizing of both initial investment and maintenance costs.

The statement, "the man who needs a new machine tool and doesn't buy it is paying for it anyway" is more applicable today than ever before. The outlook is good for the machine tool builder who has and can sell the right tool for today's manufacturing problems.

JOHN J. COTT

President, Cott Beverage Corporation and Mission of California, Inc.

I have always contended, and it has been proven throughout the years, that the Carbonated Beverage Industry is not only a growth industry but one that is less apt to fluctuate in earnings due to economic conditions. We manufacture a low priced luxury item and it still maintains itself in the category of the Food Industry. Our basic fluctuations in sales and profits usually depend upon climatic conditions more so than economical. If we are blessed with an exceptionally hot summer throughout the United States our profits increase proportionately. On the other hand, a mild summer is not disastrous but rather cuts into our profits by increased advertising expenses and promotional activity to try to stimulate extra volume.


John J. Cott

I personally believe the Soft Drink Industry per capita consumption and growth will continue to rise basically because of increased population, especially in the teenage and young married families. Television also has stimulated the sales of soft drinks considerably by keeping people at home close to their practically "no cost" entertainment —the serving of soft drinks and snacks has become the American Way of Life.

Increased foreign distribution in countries that have had little or no soft drinks, is also making a mark with national companies, including our own, and is growing at a very rapid pace. For instance, our organization has franchised our products throughout the Middle East, Africa, the Orient and South America. We expect our export sales to be quite significant in the very near future.

May I reiterate that I believe, as do others, the Soft Drink Industry is a "depression-proof" business. Its low cost enjoyment is shared by millions of people who might have to curtail other luxuries—the purchase of capital goods, etc.—but continue to buy carbonated beverages at a continued and accelerated rate.

I expect 1958 to be one of our best years.

W. H. H. CRANMER

President, New Park Mining Company

1957 was a difficult year for the domestic lead-zinc producer. Increasing foreign imports created surpluses in domestic markets resulting in a 22% drop in the combined lead-zinc price starting in May 1957. Latest 1957 figures show zinc imports equal to to 157% of domestic mine output and lead imports 145% of our output—all time highs.


W. H. H. Cranmer

The Government program of stockpiling and barter purchases proved ineffective in stabilizing the domestic market and industry was promised a "Long Range Minerals Plan". This was announced after much delay and included inadequate proposed tariff legislation for lead and zinc together with limited help for a few other metals, expanded DMEA aid and other Government services presently established.

The Administration's legislation was introduced in Congress and hearings were held before the House Ways and Means Committee in August. The domestic industry was represented by the Emergency Lead-Zinc Committee. The Ways and Means Committee Chairman reported to the President and held that tariff relief was available to the industry through Escape Clause Action of the Reciprocal Trade Agreement Act and new legislation would not be approved by the Committee until all other available help had been exhausted.

Senators interested in the lead-zinc case amended legislation in the Senate Finance Committee to include increased lead-zinc tariffs. The duties proposed were those recommended in the Administration, Long Range Mineral Plan, and were not supported by industry as we felt they were inadequate to be of any appreciable assistance. All legislative effort ceased with the adjournment of Congress.

The industry then requested a study of the domestic lead zinc situation by the Tariff Commission and hearings were held in mid-November. The industry was again represented by the Emergency Lead-Zinc Committee and opposition witnesses included domestic smelter interests who treat foreign ores and concentrates together with representatives from foreign countries such as Canada, Mexico and Peru, who produce large quantities of lead and zinc imported into the United States.

The Commission is limited in increased tariffs that can be granted. Should the industry receive a favorable decision, lead metal duties can be raised from 1⅛ cents per pound to 2.55 cents. Zinc metal duties can be increased from 0.7 cents per pound to 2.10 cents. Rates on ores and concentrates are less. Industry also asked for a quota system to limit importation when domestic market prices for lead and zinc are below peril points of 17 cents and 14½ cents per pound respectively. We expect a favorable decision early in 1958 on increased tariffs but approval of quotas is questionable.

Lower metal prices in the last half of 1957 resulted in reduced domestic production occasioned by mine closures across the United States with resulting unemployment and loss of payrolls. Mine "Ghost Towns" are appearing in many states. The United States has the metal reserves but needs a favorable economic climate to maintain an industry vital to our economy and defense.

Following the tariff commission report, we anticipate that the domestic lead-zinc industry will again petition Congress for additional tariff to guarantee the needed peril points. Without these prices the industry will continue to dwindle and the United States will end up dependent on foreign neighbors. Such a situation endangers our freedoms and subjects the domestic consumer to payments of premium prices at the whim of foreign producers. We believe that America needs a healthy domestic mining industry and will continue to work to that end.

JEROME K. CROSSMAN

President, Ryan Consolidated Petroleum Corporation

The oil and gas industry is surely not unique in the fact that numbers of serious problems confront it. In carefully scanning our entire industrial picture, however, I do think it safe to write that the vast complexity of our problems is unique. At the risk of over-simplification it occurs to me that the plethora of our problems stems from an abysmal lack of understanding of the oil and gas industry by the general public. Unfortunately, our industry seems to be the perennial scapegoat for the radical elements in our population, and particularly for the politicians (not the statesmen) of the non oil and gas areas of our vast country. Recently, these self-seekers, and the sincere but misguided, have found allies among the gas distributing utilities in the North and East especially. It is difficult to be calm and reasoning when our industry is confronted with not only unsound but, in many cases, hypocritical castigation, and also with arguments that display gross selfishness and, in many cases, utter stupidity.


Jerome K. Crossman

It is doubtless a fact that the lack of understanding on the part of the general public is in goodly part at least our industry's own fault. Evidently, we have not done a salutary and effective public relations job, however, it must be apparent to the thoughtful that the special features written for newspapers and national magazines find a fertile field in exploiting the stories of the few individuals who have been able, either through unusual acumen or luck, or usually both, to amass large oil and gas reserves. There is no "feature" in detailing the thousands of failures in this hazardous industry. There is nothing lurid in detailing the stories of the average oil and gas company that has had reasonable success and compensation, as is true of American business life generally.

The fate of the Harris-O'Hara Gas Bill in our Congress is a major political problem. This bill is certainly not an ideal one either for our industry or for the present and ultimate welfare of all Americans. The public interest would be best served by a complete decontrol bill, however, one would indeed be naive to foster a hope that a decontrol bill could pass, either now or for years to come. The demagogues have done too expert a job, aided and abetted by the gas utilities distributors. The utter lack of comprehension by this latter group is difficult to comprehend, much less appreciate. With hundreds of thousands of customers now awaiting connections, how in the world this utility group hopes to obtain needed additional supply under present regulations, indeed, passeth understanding.

Present prices for crude oil are inadequate. Drilling costs and all types of equipment and servicing, as well as hourly wages, continue to advance. In the face of these added costs, averaging increases from 25 to 50% since 1953, there has been a small increase of 35 cents per barrel in the same period. Even this increase has been partly rescinded in certain areas.

Again we hear talk of a fight on our depletion percentage. Any change downward in this percentage would not only jeopardize particularly the relatively small independent oil and gas producer, but also in its ultimate effect would cost the consuming public billions of dollars over a period of years. It has been only through this depletion allowance that the relatively small independent producer has been able to keep his head above water. It is to the initiative and venturesome spirit of this small independent that our country owes the substantial part of our oil and gas reserves.

Nineteen fifty-eight, barring onerous legislation, in all reasonable probability should be a better year for the oil industry as a whole than 1957.

R. C. CROUCH

President, Acme Precision Products, Inc.

Although only a small part of our business has a direct and close relationship to the general trend of business and the economy as a whole, it is possible for us to get some feel of the general trend.


Richard C. Crouch

It seems fairly clear that business in general is in a downward trend. How far this trend continues depends to a large degree on how realistically Washington views the situation and what is done to correct it.

At present, we would expect business to get worse, at least through the first six months of 1958, and perhaps turn around in the third or fourth quarter.

The tool and die business tends to lead the business cycle, or curve, by approximately six months. This proved an accurate barometer in 1957 during the early part of the year when most forecasts for 1957 continued optimistic.

While the tool and die business is in a bad state at the present time, there are some indications that it may get slowly and progressively better in 1958, particularly in the higher class and more technical divisions.

There has been a noticeable trend in recent years toward more complicated, more expensive equipment, appliances, etc. which require more expensive tools, dies and related equipment. Jet engines, guided missiles, new and more difficult to handle alloys, have all added importantly to this trend.

Acme expects its tool and die and special machinery division to show a good increase in volume in 1958 over 1957. This, in part, is expected to come from improvement in the industry but more largely from Acme's concentration and emphasis on the higher quality work and its special technical ability and equipment.

In the wide field of test equipment, ground support equipment and automation numerous horizons are opening that have not hitherto existed and 1958 should be an excellent year in this broad category, at least equal to 1957, which was a good year.

Acme's total business in these fields increased some 20% in 1957 over the preceding year and we confidently expect to show a further increase in volume in 1958.

Activity in the more technical defense categories is expected to increase appreciably. More emphasis on guided missiles and nuclear developments all open up new requirements for accessory equipment, test equipment, ground support equipment, etc.

All this new equipment must be especially engineered for the particular purpose. There are no off-the-shelf items.

Acme has concentrated on developing its engineering and manufacturing skills in these directions in the last few years and should benefit to an increasing degree from these developments.

R. C. DALY

President, George A. Fuller Company

Most of business thinking has now pretty much recovered from the nervous attacks which occurred during the late summer months. Business has now tightened its belt and is taking a more positive stand as to our future economy.

We can only judge from the construction end alone which is our business. Construction contract awards for the year 1957 exceeded those of 1956 by a comfortable margin, and the work executed for the year also exceeded that of 1956. The volume of executed work for the year 1958 can be anticipated to a great extent upon contracts awarded during the year 1957. Since it has already been determined that the 1957 volume of awards has exceeded that of 1956, it is our feeling that construction volume for 1958 will at least equal that of 1957.


R. C. Daly

The forecast for future good business for 1958 does not take into account any additional monies which may be spent on a stepped-up government defense requirements, nor does it consider a stepped-up road building program which may occur.

There is a limit of course as to the supply of skilled construction trade workman and the supply of component parts making up finished construction. Therefore if a tremendous road building program started at the same time a crash program on defense work was starting, then there would probably be a shortage of such materials as cement, reinforcing steel and possibly structural shapes. This would limit or retard some of the contracts now working so that the end result for the year would be a slight increase over 1957 but with a greater backlog carrying into 1959. The construction industry is not sufficiently flexible to permit a complete elasticity in the expansion of volume.

Our industry has noticed in the past that as the squeeze on profits becomes more acute, industry works harder to increase its production per man hour. Because of this search for greater productivity, new methods and machines are developed at an increased rate. This results in the abandonment of inadequate factories with the resultant construction of new factories to house new equipment. The construction industry, therefore, receives certain benefits in volume in times of profit squeezes

and is not a true barometer of general economic conditions.

Contracts entered into today mean next year's business and in a great many cases a backlog into 1959. Therefore, unless we have a complete depression which even the most pessimistic are far from predicting, the construction industry should proceed at about its 1957 level. The general economy of the country will then more normally reflect its influence upon the construction industry. It appears to us that our economy has cause for a slight adjustment and will resume its normal growth comparable to its population increase and international demand before the end of 1958.

VIRGIL D. DARDI

Chairman and President, United Dye & Chemical Corporation

Indications are that 1958 will be a difficult and challenging year, but one which should see no major economic difficulty. In our field of operations product diversification in United's subsidiary companies—ranging from logwood dyes to an oil pipe line—seems to be the answer to any temporary recession in a particular segment of the nation's business machine.

V. D. Dardi

Both the chemical and oil industries are generally predicted to continue to expand in 1958. The recent general business slump is of somewhat less concern in these fields than in heavy industry since their products are manufactured to a large extent for consumer use.

The general picture, too, is good. With the launching of Russia's Sputnik any hope of a major curtailment in defense spending is out of the question. There is every indication that the defense budget will be increased from $2,000,000,000 to $3,500,000,000. Building construction is expected by the Commerce and Labor Departments to rise 5% to $49,000,000,000. With somewhat easier credit an increase in plant expansion plans is predicted. We are expected to build 1,100,000 new dwellings in 1958 and the President's budget calls for more than $29,000,000,000 for civilian programs—including highway outlays.

The tight money situation in the past few months has brought about temporary curtailment generally and the first quarter of the new year may not reflect the favorable factors quickly, but 1958 as a whole probably will compare quite favorably with the year just past.

We expect to expand in the oil field and to increase management efficiency so that we will be able to take full advantage of these favorable factors.

JUSTIN DART

President, Rexall Drug Company

Despite the current indications of moderate business recession during at least part of 1958, we are confident that our own company will have a favorable year in 1958. Our forecasts are:

Justin Dart

Sales—Moderate increase in total sales.

Earnings — Moderately increased earnings.

Long-range potentials for the nation are excellent, and we expect Rexall to participate in this future growth, both in sales and earnings.

GEORGE S. DIVELY

Chairman and President, Harris-Intertype Corp.

General business in the closing months of 1957 was characterized by a definite loss of momentum. The combination of tight money, an erratic stock market, dramatic international developments and spotty weakness in some industries resulted in declines and a feeling of caution that may continue for some time. Later in the year increased defense spending and further relaxing of monetary controls should begin to stimulate general business activity. In the meantime, basic strengths in high disposable income, indicated increases in construction activity and population growth should maintain general business at fairly good levels, although below recent peaks.

G. S. Dively

Printing and publishing, as "the service industry to all industry," usually follows the pattern established by business in general. However, more than half of the printing and publishing industry's revenue is derived from advertising, which ordinarily benefits from a competitive-marketing economy. It can be expected that 1958 will be a highly competitive year.

For individual companies in the printing and publishing industry, this suggests the desirability of stronger sales efforts and better methods of producing profitable results. Better production methods will require wider utilization of the improved techniques and equipment now available in the industry.

Harris-Intertype, which manufacturers one of the most diversified lines of equipment and supplies for the printing and publishing industry, will be starting its first calendar year after the merger of Harris-Seybold Company and Intertype Corporation. The company's enlarged operations are being carried out on a decentralized basis which gives more decision-making responsibility and authority to people close to the scene of action. This provides the closest relationship with customer requirements, which is so essential in highly competitive times. During 1958, our operating divisions and subsidiaries will be giving major emphasis to effective customer service through close coordination between field offices, manufacturing plants, and engineering departments.

FRANK H. DRIGGS

President, Fansteel Metallurgical Corporation

For the third consecutive year, Fansteel sales reached a new peak in 1957. During this year, Fansteel also completed the largest program of capital additions, construction and expansion in the company's history, constructing more square feet of facilities in this one year than the entire company and its subsidiaries owned in 1941.

Dr. Frank H. Driggs

This program included a new $6,500,000 tantalum-columbium plant on a 113-acre site near Muskogee, Okla., which went into partial production late in the year. At this plant, ores are treated and processed to produce pure metal powders and ingots, which are further processed and fabricated in the main plant at North Chicago, Ill. For this purpose additional floor space and facilities have been provided at the North Chicago plant. Additions to the research laboratories and administrative offices also have been provided.

With the completion of the Oklahoma facility, Fansteel expects to be in a position to fully provide for the nation's requirements for tantalum and columbium in the coming year.

The year 1958 is expected to be a period in which these and previous expansions will be consolidated and put into efficient use. Despite general predictions of a recession for at least part of the year, sales volume is expected to increase over 1957.

The continued application of miniaturized electrical and electronic equipment in communications, aircraft and missiles, together with the extension of this equipment into new devices and controls, practically assures a growing market for tantalum capacitors, an important product of ours.

Most of the industries using Fansteel metals and products are in a healthy condition and are growing. So long as we can maintain our present position as suppliers to these industries, Fansteel will grow with them.

GUILFORD DUDLEY, JR.

President, Life & Casualty Insurance Co.

Insofar as our industry in general and our company in particular is concerned, 1958, especially the last half, should be another good year. Company-wise there is no reason why it should not be again our best year. I say this fully recognizing that at this time we are in what is termed a sidewise movement economically which may last well into 1958. Certainly the outstanding growth of investments in plant and equipment has ground to a halt during the latter part of 1957. However, personal income continued to rise throughout most of the year even though at a de-accelerated pace compared to previous years. The rise in cost of living counterbalanced this increase in income, and the tight money situation which we witnessed in 1956 continued to affect residential construction and other areas of investment.

Guilford Dudley, Jr.

These factors of course have resulted in the sidewise movement mentioned above which occurred during the latter part of 1957.

The big question for 1958 therefore is how long this condition will exist before we will see another upturn.

While it is true that all phases of the economy affect our sales to some extent, nevertheless the increase in personal income is such a plus factor that it offsets a great many of the minus factors in the rest of the economy with the exception of increased unemployment. Therefore I can see no reason why Ordinary Life and Weekly Premium sales should be affected too adversely and in my opinion there should be continued increase in insurance in force in these lines of our business over the 1957 figures.

The greatest one factor which could influence the business outlook for 1958 is psychological. This of course is always the case but more so now than in recent years. As the Secretary of Commerce Sinclair Weeks pointed out last week, "Our economy moves ahead satisfactorily when people spend their money, but if enough unwarranted scare stories about our business structure come forth from time to time, this confidence may be shaken and there may be some resulting effect upon business."

Basically the economy is sound and there are more plus factors than minus ones although the latter have received practically all the publicity in recent months.

Management always affects results regardless of the economy as a whole and just as our district offices with top quality management always make forward progress even in sidewise or recessionary movements, so can a company well managed continue to buck a trend provided that trend does not become universal.

Whatever readjustment may become necessary in 1958, it need not be a drastic one and the year as a whole should not be any worse than 1957 even though the sidewise movement economically may continue for the first six months of the year.

KENNETH K. DU VALL

President, Merchandise National Bank of Chicago

At the beginning of 1958 we see an economic adjustment in process, following a climax of the boom in the fall of 1957. Once more we are reminded that the business cycle has to be reckoned with in a free economy. This time the economy, as a whole—not simply a segment here and there — appears in need of a period of digestion. Such a period allows capacity to consume to catch up with capacity to produce.

Kenneth K. Du Vall

Monetary policy has been changed from restraint to ease. How long the new course will be pursued and how far it will go depends upon the Federal Reserve Board's judgment of business conditions from month to month. The effect of the change remains to be seen. Trying to revive a sagging economy by easy money has been likened to "pushing on a string." Businessmen and individuals do not borrow simply because money is cheap. Rather, they borrow more freely when the economic outlook inspires confidence.

Less optimism prevails concerning the short-run prospects of the next six to even 12 months than for several years. Optimism concerning the longer look of the years ahead continues to be warranted.

Democratic capitalism has great resources, not the least of which is the inherent wisdom of great masses of free individuals. In 1958 this wisdom will be put to a severe test. We face the urgent need to accept a slower pace in our quest for an ever higher standard of living in order to make sure of our defenses. This must be done without endangering the value of our money upon which a healthy economy must be based.

HARRY EDISON

Chairman of Board, Edison Brothers Stores, Inc.

In appraising the business outlook for 1958, I do not find justifiable reasons to subscribe to any gloomy predictions.

The year 1957 brought our own company operations into its 35th year with an all-time high record of sales which have mounted to well over $99,000,000. Twenty-five new shoe units were added during 1957 making a total of 322 units in operation at the close of the year. To meet our nations ever growing population, I feel that shoe production in 1958 necessary to meet actual consumer needs should approximate 600,000,000 pairs which will be about the same as produced in 1957.

Harry Edison

As I see it, there are no dark clouds overhanging our nation's economy which gives rise for business to retrench.

In line with its further contemplated expansion program, new long-term loans and real estate transactions consummated and now in process of closing are adding about $3,500,000 to the company's working capital.

The creation of our business was laid on a foundation of faith and vision in the opportunities America has always offered to those who would have the initiative, the aggressiveness, and the know-how to justifiably fit its business operations into our national economy.

We have already experienced within the passing weeks of 1957 some adjustments taking place in our economy. Some economists and so-called business weather prophets have termed these adjustments as economic problems and the played-up publicity being given these various opinions from such sources, this in itself I feel has created bad psychology on our American public at large. These adjustments are no doubt reflected in our government's monetary stringency, some downward trends from the peak level of industrial production, employment, capital expenditures, public works and housing. To my mind, these readjustment situations could well bring about a much needed check on inflation and result into a more healthy and sound economy in which the consumer's spendable dollar could have greater value and the wages paid to workers might well command a better job to be done.

Manufacturers and suppliers who have successfully channelled their production through large distributors will continue to receive bulk orders. Experience has long proven to them that mass production keeps their plants going in high gear, reduces unit costs, and sustains greater values which enables both manufacturer and distributor to best be able to meet whatever competitive challenge may arise.

American is by far the greatest and richest nation on earth. Its people have long enjoyed the highest standard of living of any nation on the Globe.

Our nation possesses unlimited wealth in natural re-

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sources and the capacity to produce not alone for our people, but for the peoples all over the world.

The year 1958 will be no exception to the responsibilities and challenges our nation has faced in the past. The American spirit has never faltered when a challenge confronted our nation. The year 1958 will be a good year for business if business itself will rightfully do its part to help make it so. Don't sell America short!

JOHN C. EMERY

President, Emery Air Freight Corporation

Present indications are that the volume of air freight traffic increased about 25% in 1957, as predicted a year ago. This was less a case of precision in forecasting than of one unforeseen favorable circumstance offsetting another unfavorable one. A 90-day suspension of express service in several large cities was the unexpectedly favorable factor contributing to 1957 air freight gains. The slowdown in general business in the fourth quarter was the adverse factor.


John C. Emery

In 1958, we look for further increases in air freight volume. As a newcomer in transportation still in the early stages of its development, air freight business should expand with only secondary regard to general business conditions. Shipper Jones may ship less by air in 1958 because his production has slowed, but if we can get Shipper Smith to use air freight for the first time, we may more than make up the deficit. There are still many Shipper Smiths who use air freight only in rare emergencies.

One adverse factor in 1958 will be the curtailment of some schedules operated by cargo-carrying airlines. A number of obsolete cargo aircraft are being taken out of service, without replacement until new, modern cargo aircraft are received from the manufacturers later in the year. Air freight capacity makes air freight volume, and less capacity in the first months of 1958 may retard normal growth for a time.

On the other hand, vigorous selling of the remaining capacity can offset this handicap, and an increased number of carriers—airlines and air freight forwarders—plan the most intensive promotional work in the months ahead. For this reason, there is no pessimism about the prospects for air freight in 1958, and no expectation that further gains in annual volume will fail to be made.

Emery Air Freight in 1957 enjoyed the highest revenue and the best earnings in its history. We expect 1958 to set further new records.

BAYARD L. ENGLAND

President, Atlantic City Electric Company

Atlantic City Electric Company will spend nearly $88 million for new construction to supply anticipated growth in Southern New Jersey during the next five years. This represents the largest construction program in the company's history. The preceding comparable period amounted to $72 million. About $39 million of this expenditure will be allocated for new generating equipment, including an additional 81,000 KW Unit at Deepwater Generating Station, near Pennsville, N. J., to serve anticipated growth in residential electric use and expansion of industry in the company's eight county area.


B. L. England

Several reliable barometers of business in Southern New Jersey indicate the present, steady trend of growth, development and improvement will continue through 1958, 1959 and 1960. By 1960 the population of the area should increase to 640,000.

The Prudential Insurance Company's selection of sites in Millville and Linwood for major regional offices constitute important achievements in area development and community cooperation.

There were 60 new industries and expansions of present industries added to the company's lines in 1957. Six thousand customers were added during the year bringing the total number of customers to 216,400.

Gross revenues had reached an all-time high of $33,862,000 for 12 months ending Nov. 30, representing an increase of 7.3% over the same period in 1956.

The company's records indicate that customers are expanding their use of electric service. Residential use of electricity in the past 12 months increased 6.2%. The average annual use reached 3,265 kilowatthours in 1957 compared with 2,324 in 1952 and 3,096 in 1956. The present average annual use is above the national average for 1957 which was 3,120 kwhrs.

Nearly 200 new homes with complete electric heating were added to the Southern New Jersey system this year bringing the total of all-electric homes on the company's lines to more than 1,000. About $20 million was spent by the company for new construction during the year.

On Nov. 20, the Board of Directors announced an increase in the regular quarterly dividend in the company's common stock from 32½ cents to 35 cents. This brought the annual dividend rate to $1.40 per share. Earnings per average share are expected to be $1.80 compared with $1.65 for 1956.

At the Annual Meeting of Stockholders held in April, H. Drake Harkins, former manager of Industrial Engineering Division of E. I. DuPont DeNemours & Company, was elected as an additional member of the Board of Directors.

Atlantic City Electric Company serves a population of 564,000 in 2,700 square miles of territory in eight Southern New Jersey counties.

MAX FACTOR, JR.

President, Max Factor & Co.

The cosmetics and toiletries industry caters to a fundamental human desire to be attractive and well-groomed. In recent years, this urge has been heightened and sharpened through intensified promotion and new product research. Now both women and men have become more aware of the greater satisfaction and success that arises from proper attention to appearance. Thus although the personal fortunes of individual cosmetics firms have varied widely from year to year, the industry as a whole has shown a steady growth, and estimates as to the point at which market saturation might occur have had to be constantly revised upwards. This is the background with which the industry enters 1958.


Max Factor

Many leaders in business, government and education, in interpreting the economic indicators, foresee a continuation of the slight sag in the economy during the coming year. However, we believe that our industry will remain strong in the face of such a dip in business activity. Cosmetics and toiletries have become very important to the individual consumer, and this will be one of the last areas to feel a cut back in expenditures. Our industry's products can well be listed among the necessities in the life of today's women and men.

Although the industry should show stability during 1958, individual companies may suffer while others forge ahead. As in the past, many new products will be introduced. Some will gain consumer acceptance when they fulfill a need and are effectively merchandised; others will prove disappointing often for no clearcut reason. The industry is diverse as to product lines, methods of distribution, types of advertising, and in many other ways. Each company must determine its own combination. No single formula for success has yet been discovered.

We believe Max Factor & Co. with its 50 years of experience is in a sound competitive position to operate in the climate just outlined. Our products are marketed primarily in the medium price range, through department stores, drug stores and drug wholesale houses. A research division of 40 chemists constantly develops new products and upgrades existing items. We have modernized and expanded our manufacturing facilities in recent years, bringing improved efficiencies. Principles of automation are reducing costs in some operations. Building on this foundation, our heavy emphasis on television and other methods of advertising has been effective in generating sales. Thus volume, which was $15,722,142 in 1952 rose to $32,613,771 in 1956, reached a figure of approximately $44,000,000 in the year ended Dec. 31, 1957.

To summarize, cosmetics can not be thought of as immediately expandable when a hesitancy to purchase creeps into consumer psychology. As necessities, they will stand up well even if soft spots occur in other areas of the economy. In 1958, as in 1957, Max Factor & Co. should continue to make a strong showing in its highly competitive industry.

L. J. FAGEOL

Chairman, Twin Coach Company

The over-all business picture for 1958 looks good to me — IF!

By "IF," I mean **IF** we quit thinking and talking in terms of depression and start viewing the future with the optimism merited by present conditions.


L. J. Fageol

One of our big problems today is, I believe, that we don't know exactly what good business is. Actually, while business may not be quite as good now as it was last year, it certainly is at a high level compared with a few years ago.

In fact, I think we are probably just getting back into a period of normal competition. Most industries either have an oversupply problem or are holding back to avoid it. Our production facilities have at last caught up to our population increase and to consumer income. With merchandise plentiful, consumers aren't buying ahead. Nor are manufacturers, who purchase industrial supplies, equipment and materials from other manufacturers. So, now we must find new outlets for our expanded production. Logically, selling competition is getting keener and profits harder to earn.

In my opinion, there's nothing wrong with competition. In fact, it's competition that breeds new businesses, creates new and better products and develops improved sales techniques. Also, it builds a firmer, sounder economic structure where people buy for their daily needs without hoarding for fear of future shortages.

If your business and mine can meet the competitive challenges of 1958, I think we have nothing to fear. Everyone has recognized since the war years that, sooner or later, business must experience what President Eisenhower appropriately calls a brief "breather." We are in that period today and—if we use it to improve our products and selling methods, American business will emerge unscathed and stronger than ever before.

We have the biggest market in history, a need for national preparedness that is, in itself, a bar to business slumps and a Government Administration which will provide business stimulus through increased road building activity, aid to housing, etc.

ANDREW FLETCHER

President, St. Joseph Lead Company

The stability which prevailed during 1956 in the lead and zinc markets was shattered in mid-1957 when the U. S. Government stopped acquiring lead and zinc by barter exchange for surplus agricultural commodities, and also indicated an eventual tapering off in its stockpiling program for these metals. Without the support of the two programs, prices of both metals broke sharply on the world well as on the domestic market. Lead and zinc opened the year at 16 cents and 13½ cents per pound, and closed the year in uneasy balance at 13 cents and 10 cents per pound respectively.


Andrew Fletcher

Falling prices wiped out profit margins for many domestic producers, and most small U. S. mines were forced either to close or to curtail output drastically. Following the break in prices, the Administration presented its long-awaited long-range mineral policy program to Congress which, among other things, called for sliding-scale tariff relief for the domestic lead and zinc industry. This program failed of adoption, however, and in place of it domestic lead and zinc producers appealed to the Tariff Commission for relief, as had been done in 1954. Hearings were held in November and December, and the industry hopes that the Tariff Commission will recommend, and the Administration approve, tariff increases that would bring the duty on imported lead to 2.55 cents per pound and on imported zinc to 2.10 cents per pound. This action may be taken early in 1958.

In lead, U. S. consumption for 1957 was estimated at 1,137,000 tons, down 6.0% from 1956. Supply totaled about 1,260,000 tons, of which 330,000 tons came from U. S. mines, 450,000 tons from scrap, and 480,000 tons from imports. Domestic mine output was down 6.5% as against 1956; imports increased about 11%. In zinc, consumption reached about 922,000 tons, off 8.6% from 1956. Supply, less about 11,000 tons of exports, totaled 1,335,000 tons, made up of 1,046,000 tons of U. S. primary and secondary production, and 300,000 tons of imports, an increase of 22.4% over imports in 1956.

A major portion of the 1957 lead and zinc surpluses was taken off the market by the U. S. Government programs. The outlook for lead in 1958 will reflect general business activity. The consensus of most economic forecasts seems to be that a further decline in activity may be expected in the first half of 1958 with some upturn likely in the last half. It is hoped that consumption of lead therefore will follow this pattern and will thus carry on at about the 1957 level. Zinc tends to follow the steel industry and the automotive industry more closely than does lead. An economist for U. S. Steel recently predicted steel production for 1958 might be as much as 12% lower than for 1957. It is likely that zinc consumption in 1958 will therefore be somewhat lower than in 1957. If tariff relief is granted for both metals, the domestic industry should be in a better position next year than it has been recently, owing to the probable decrease in unneeded imports of metal.

In general, all present indications do not justify the expectation of increased consumption of lead and zinc. Rather, one can expect curtailed production on a world basis, owing to low metal prices and the imposition of tariffs. If this decline in supply does occur, and if general business activity increases toward the middle of the year, one can expect stronger metal prices.

A. E. FORSTER

President, Hercules Powder Company, Inc.

Last year the production of chemicals and allied products increased by 3%, which was below the past long-term rate of growth of about 6 to 7% a year. The below-normal rise last year reflects the failure of U. S. industrial production in 1957 to rise above the 1956 level.


A. E. Forster

The American economy is now in a downward readjustment period. There is no evidence as yet that the decline has run its course. Inventory liquidation apparently still has further to go. Even if the recession is mild, the drop in industrial production from 1957 to 1958 could amount to 5% or more.

The 1958 performance of the chemical and allied products industry in relation to 1957 should be more favorable than that of general business as a whole. Superior results can be anticipated for 1958 because the rate of growth of the chemical industry is significantly greater than that of U. S. industrial production.

The prices of chemicals and allied products are now

about 10% above the 1947-49 level. The Hercules price index shows a somewhat similar comparison. In contrast, all commodity prices less farm products and foods at the present time are 26% higher than they were in 1947-49.

There has been no decline in the index of all commodity prices less farm products and foods during the downturn to date. This price stability under recession conditions is explained by the continued upward trend of wage and salary rates. Because of this influence, manufacturers also are likely to make a strong attempt to hold prices in 1958.

As a result of the prospective reduction in inventories, the level of consumption in 1958 should exceed the level of production. Purchases of goods and services by consumers in dollars of constant value also are likely to hold up better than industrial production. Federal, state, and municipal expenditures and outlays for home improvements and repairs in 1958 are expected to show a further increase. Residential construction should either maintain last year's level or show some gain.

Among the industries that Hercules serves, the best relative performance is likely to be provided by cement, paper, and protective coatings. Because of new products, the physical quantity of sales of Hercules Powder Co. should compare more favorably with 1957 levels than U. S. industrial production.

This shakedown in business activity should provide the foundation for future economic growth.

CLARK R. GAMBLE

President, Brown Shoe Company

The shoe business has been good for most retailers and manufacturers in 1957. It is expected the total retail value of all shoes sold last year will reach approximately 4 billion dollars and estimated all time production peak of about 600 million pairs of shoes.

Clark R. Gamble

There will be 3 million more people to clothe in this year than there were in 1957 and it is expected consumer spending for non-durables will continue to increase in 1958. Retail and wholesale shoe inventories appear about normal so shoe retailers have a good opportunity to plan for increased Spring 1958 sales. Naturally a good deal will depend upon the consumers' early purchases of new Spring styles during February and March since Easter falls early on April 6.

During 1957, Brown Shoe Company achieved a record in its operations. Net sales for the Company amounted to $236,946,078 and profits totaled $9,123,242. Total assets amounted to $104,204,489. A total of 29,105,105 pairs of shoes were manufactured.

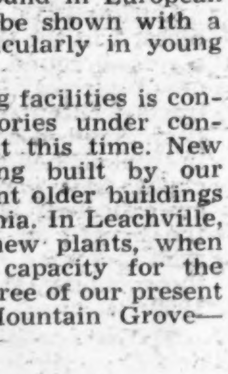
The new shoe fashions which have been developing over the last year will be more dominant during the coming year. In women's shoes new leathers and new styles place strong emphasis on tapered and pointed toes and more open type shoes for late Spring and Summer. The trend toward slim high heels will continue; new comfort, softness and flexibility will be found in all of the new styles. Men's footwear trends are moving toward a lighter weight, more flexible type construction, influenced by the Continental styling found in European countries. Even children's shoes will be shown with a great many more style features, particularly in young girl's sizes.

Plant expansion of our manufacturing facilities is continuing, with four modern shoe factories under construction or on the drawing boards at this time. New plants of the latest design are being built by our Kinney Division to replace their present older buildings at Carlisle and Millersburg, Pennsylvania. In Leachville, Arkansas and Lexington, Tennessee new plants, when completed, will represent additional capacity for the manufacturing of our branded lines. Three of our present factories—Piggott, Pocahontas, and Mountain Grove—are being enlarged.

EDWARD M. GAILLARD

President, The Union & New Haven Trust Company, New Haven, Conn.

It has been evident for some time that the business boom which started with the sharp recovery of 1954-1955, following the mild recession of 1953, has lost momentum and that the national economy is in a state of transition. During the past two years production has advanced and declined irregularly within a narrow range—a pattern characteristic of a period of rolling readjustment in which increases in some lines offset decreases in others. In the last two or three months, however, adjustments have been predominantly downward.



Edward M. Gaillard

Backlogs of unfilled orders accumulated during 1955 and 1956 as new orders came in faster than factories could fill them. However, during practically all of 1957 new orders fell short of shipments, forcing manufacturers to draw on their backlogs to sustain output. As new business has failed to replace the order backlogs in many lines, there has been no alternative but to cut output, with the result that unemployment has been on the increase. While the volume of business leveled off during the first six months of 1957 and turned down irregularly in the second half of the year, costs have been rising steadily causing a reduction in profit margins of many companies.

While I do not expect a depression or even a severe recession, it is my opinion that business during the first six months of 1958 will undoubtedly be at a lower level than the comparable period of 1957, and whether or not we can expect an upturn in the second half of 1958 is difficult to predict. In general, I would expect the earnings of corporations in 1958 to be below the level of 1957. The earnings of banks which benefited by the strong demand for loans and high interest rates prevailing during 1957 will feel the effect of reduced demand for loans and an easing in interest rates which I would expect to occur during the first six months of 1958. The decline will be felt first in short-term interest rates, in my opinion, and should not be very sharp. Long-term rates will follow this trend, but more slowly. Thus, banks will experience a decline in income from loans and will be faced with a high level of expenses established during the prosperous years. A squeeze on bank earnings will therefore be very much in evidence.

In my opinion, the long-range economic outlook for the country is encouraging. In fact, a rolling readjustment, if that is what we are experiencing, might be a blessing in the long run, for it could eliminate some of the maladjustments developed during the past years and lay the foundation for a sound recovery and continued growth later on. Banking should benefit from such a resumption in the upward course of business because of the renewed and increased demand for bank credit which would result therefrom.

PAUL S. GEROT

President, Pillsbury Mills, Inc.

We expect that the current decline in business activity will probably extend through most of 1958. However, we expect that the decline will affect heavier industries to a far greater extent than it will affect the food industry. Although we expect a decline in plant production activity, and therefore some increase in the number of unemployed, we anticipate that due to wage and salary increases the level of total personal income will remain about the same in the coming year as in the year just ended. As a result, we should see little decrease in the buying power of the American people.

Paul S. Gerot

The continuing population boom remains an important factor in our industry. During 1958 we hope to do better than match the normal increase of food business which will result from the growth of our population. Since the population increase next year is expected to be about 2% greater than our present total, and by 1960, 7% greater, we must see our sales increase by at least that much.

To fight the inflationary spiral, the food industry will continue to cut costs in every area: manufacturing, distribution, technical and clerical. Since we do not look for any appreciable price increases in our business during the year, our opportunity to successfully combat low margins and profitless prosperity lies in increasing the over-all eficiency of our organization.

SALVATORE GIORDANO

Chairman and President, Fedders-Quigan Corporation

For the first time, the air conditioning industry enters a new year after failing to set a sales record during the previous year. But the picture is still a bright one and, despite this slight setback, 1958 should result in another new sales record for the industry.

The growth of the room air conditioner has been phenomenal since the end of World War II, and there is nothing to tint an exceptionally bright scene. In just a few short years this product has grown to a point where in 1957 it was the third largest selling major electrical appliance — after the refrigerator and washing machine.

Salvatore Giordano

While a disappointing year, 1957 was still the second best in history. The industry shipped about 1.6 million room air conditioners, compared with 1,828,000 in 1956, a decline of 12.6%. In dollars, manufacturers' shipments were worth about $276 million as compared with $291,445,000 the previous year, a drop of 5.3%. In residential air conditioning, shipments slipped 15.2%, from 165,000 in 1956 to 140,000 last year.

A general slump throughout the appliance industry, rather than any particular weakness within the air conditioner field, is held responsible for the decline.

The coming year should be the most successful the air conditioning industry has yet seen. Total industry shipments of room units should be 1.9 million units, for both reporting and non-reporting companies. Dollar volume should reach about $323 million. Both figures would be new records. In the residential field, 1958 shipments are estimated at 165,000, matching the 1956 record.

One reason for the optimistic outlook for 1958 is the development of a reverse cycle heat pump room air conditioner that will heat, as well as cool, in any part of the country. Last year about 2% of the room air conditioners shipped were of this reverse cycle model. About 10% of 1958 units will be made with the heat pump feature.

All levels of the industry will benefit from this advance: the manufacturer will lengthen his production year; the distributor and retailer will merchandise on a year-round basis; and the consumer can use the air conditioner through the four seasons of the year. In this last respect, the heat pump fills a need uncovered by market research studies: that many air conditioners were not purchased simply because the consumer could not justify the expense for an appliance used only during the summer.

The popularity of the all-year heat pump will also lessen the industry's dependence upon hot summer weather.

Room air conditioners with lower electrical power needs should result in an increased market for larger capacity units in 1958. For the first time the industry will be offering a 1½-horsepower model that is made to operate on the standard 115-volt house current. Previously, a unit of such cooling capacity required costly rewiring.

The industry's ability to constantly improve air conditioners so that they require less and less current has multiplied the available market manyfold. The bleak prospects of inadequate wiring, which once faced the industry, have been ever diminishing as new strides have been taken toward making more units operate efficiently on existing wiring.

The year 1958 will see the introduction by almost all manufacturers of a lightweight, midget-sized room air conditioner. These units are somewhat of a regression for the industry in that they produce less cooling than today's standard models at a time when the industry is working for greater efficiencies. However, these midget models, if properly applied, will be a boon. They will be ideal for bedrooms and other rooms of similar low cooling capacity requirements.

In styling, there will be a general reduction in the dimensions of air conditioners in 1958. More manufacturers will size their units to the thin and low design which became so popular last year.

Air conditioners that are designed for installation through a wall, instead of a window, are expected to gain considerable ground in 1958 as the construction of private and multiple dwellings is scheduled to increase. These through-the-wall units are growing at a rapid rate as more and more new apartment houses plan for their use.

An anticipated one-million plus residential housing starts for 1958, higher than the 1957 level, should provide the increased market for home central air conditioners.

Industry inventories are somewhat higher than a year ago. However, there will probably be an adjustment in production rate as compared to last year so that inventories will level out prior to the height of the selling season. It should be noted that the existing inventory is found basically at the manufacturer and distributor levels, leaving the retailer in a free-to-buy position. It is estimated that the retail stocks are about one to two units per store, a necessary figure if only the most meager year-round display is maintained.

As a whole, 1958 should see a sales push that should more than regain the ground lost in 1957. The year will make its mark in two respects: the growing popularity of heat pump air conditioners and; the introduction of the small, midget-size room air conditioners.

RALPH K. GOTTSHALL

President, Atlas Powder Company

In its chemical activities, the Atlas Powder Company is usually thought of as a member of the "Specialty Chemicals" manufacturing group. The companies in this group are characterized by varying degrees of integration: few of them own or control their raw materials, and not many sell their products directly to the ultimate consumer.

Ralph K. Gottshall

Faced with the current profit squeeze, the long-range prosperity of this group depends heavily on good management. It is not always possible or desirable to restore profits by increasing prices. Two sound routes to improved profits are (1) a continuing program of reduction in manufacturing costs of present products, and (2) introduction of new products with attractive markets and profit margins. Since both of these routes take time (and the second may take several years) their effectiveness cannot be measured in terms of profit for any one year.

Atlas Powder Company during 1958 will complete its new basic research and Chemicals Division product development facilities adjacent to the main office building in suburban Wilmington, Delaware. Also scheduled for completion in 1958 is an expansion of our Explosives Division plant at Atlas, Missouri; and the installation of new and improved equipment in the Atlas, and Giant, California explosives plants. An equipment modernization program will continue in the Chemicals Division's Darco activated carbon plant at Marshall, Texas. These activities represent a total capital expenditure of about $9,000,000, some of which was spent in 1957.

Believing that the application of radiation techniques to chemical processing may prove profitable in the long range, Atlas joined with nine other firms in forming Industrial Reactor Laboratories, Inc. This organization was authorized by the Atomic Energy Commission to construct a nuclear reactor for industrial research near Princeton, New Jersey and the facility is expected to be in operation in 1958. The ten participating firms are underwriting the estimated $4,500,000 cost of the facility,

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and our Chemical Research staff will have access to the reactor for nuclear studies in fields of importance to Atlas.

Assuming no major change in the uneasy international situation, I expect that 1958 overall will be a sound business year, with specialty chemicals sales not greatly different from the 1957 mark. Some individual company sales can be expected to be above, some below, their 1957 totals. Profits will be harder to maintain, and companies with substantial long-range development programs will be forgoing current gains to insure future corporate health.

CRAWFORD H. GREENEWALT

President, E. I. Du Pont De Nemours & Company

Short of some major international upset, I see no reason to believe that the confidence which has carried us to new economic peaks over the past few years should fail or diminish substantially in the immediate future. Since confidence is one of the principal ingredients of our economy, the outlook should remain favorable. Our own business in 1957 showed a modest improvement over the preceding year and we expect the physical volume of sales in 1958 to increase further. Since most of the Du Pont Co.'s output represents products sold to other manufacturers as raw materials, our gain in sales reflects the general state of business activity and may be considered an indication of progress in a wide variety of industries.

C. H. Greenewalt

It is true, however, that variations in the business curve are inevitable in a free economy, and it is important that we view them in proper perspective. It has always seemed unwise to me to place too large a premium upon short-term performance in judging the health of the economy; it is the patient's general stamina and resistance which governs his life-insurance rating rather than the fact that he may, at any given period, suffer from a cold or some temporary indisposition.

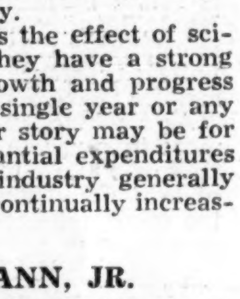
In the business area, the most important factor is the prospective economic behavior over a period of years or decades rather than of months or quarters. On this basis, it can be shown that our progress over the long term has been excellent and, if we can avoid war or other disruptions, should continue to be satisfactory.

One important basis for optimism is the effect of scientific development and research. They have a strong influence upon future prospects. Growth and progress are not achieved on the basis of any single year or any single event. Whatever the particular story may be for 1958, for the longer period the substantial expenditures committed to pioneering work by industry generally should provide every assurance for a continually increasing economic prosperity.

H. FREDERICK HAGEMANN, JR.

President, Rockland-Atlas National Bank of Boston Boston, Mass.

The economy has been turning down from a higher level of activity than ever before, an economy financed by the greatest total debt or credit expansion this country has ever know, a staggering all-time high debt in each of its components be it the federal debt, state and municipal debt, business and corporate debt, home mortgage debt or consumer debt. Plant capacity in practically all lines has greatly expanded and there certainly is no shortage of labor and materials and conditions worldwide are similar to those in this country. Around the world, economies are on the decline particularly in England and the sterling area.



H. F. Hagemann, Jr.

Now periods of adjustment are never popular, but they are bound to occur from time to time particularly in an economy using large amounts of borrowed money. The trend of credit or debt expansion, increasing costs of goods, inefficient production, rising prices, the stress of the high cost of living to people of fixed or limited incomes is eventually followed by a lessening of the demand at such high prices, overproduction of costly goods, falling prices and declining profits. Contraction, consolidation, self-analysis, cost cutting, increased efficiency, increased production and improvement of product are sometimes required for business survival. This is the free enterprise profit and loss system at work. This is the system operating under the fluctuations of the business cycle that has provided a higher standard of living to more people than any other system in the world. It is expected that there should be periods of adjustment such as we are now in. We have the record of past periods of adjustment and though general opinion is that the current business recession will be a minor one and business generally will be on the way up again in the last half of 1958, I think this recession should be given the benefit of the doubt as to its possible severity and duration since we are adjusting from such a high level. Based on previous business cycles, it would seem that it would take more than six months to correct excess inventories and to pay down debts to more comfortable levels. It would not seem that increased military spending and easier credit conditions of themselves would turn the economy around in 1958.

The year 1958 will probably witness some further correction through tougher labor bargaining on the part of management and more strikes. The consumer, who is still king in this economy of ours, may assert an additional correcting force for of late he has been less willing and less able to pay higher costs. Nineteen fifty-eight will test the theory accepted by many that management and labor can work out their increased costs and increased wages and pass the results on to the consumer with the consumer left with no alternative but to pay higher prices.

Now pressured as we may be by a business decline and intensified competition from the Russians, let us not resort to unsound economic procedures. It is absolutely essential to the survival of our free society that we maintain the integrity of the American dollar to keep ourselves economically strong over the years ahead. For the Federal Reserve Banks to ease money to the extreme that they did in 1953 and 1954 and for the government to resort to deficit financing would be harmful to the encouragement of savings and capital formation and could start up the whole inflationary spiral again, repeating past errors. For us to resort to unbridled spending, unbalanced budgets, deficit financing and ultimate inflation as a solution to our problems instead of facing up to the facts of life would be playing right into Russian hands. Such a course if followed almost inevitably would push us sooner or later into wage and price controls, material and labor allocations and forced savings. We would find ourselves adopting the Russian way of life in order to fight it. We would be helping to prove what some have contended, that when the chips are down a democracy cannot discipline itself in spending and we would be giving evidence of our lack of faith in our own basic American principles. The United States and Russia are joined in a war of ideaologies. Russia is trying to prove that totalitarianism is better than free enterprise, that a system where the state is supreme and the individual the ward of the state, is better than the American System where the individual is supreme and the state is his agent.

The Russians have boasted and predicted for years that they eventually will convert us to their system. They have claimed that they ultimately will take us over without firing a shot by making us spend ourselves into insolvency and by making us ruin our currency. Time means nothing to them so we must be everlastingly on our guard. It makes no sense for this country to be engaged in a world wide program to secure freedom and a higher standard of living for peoples of other nations, while running the grave risk through inflation of destroying the freedom and the high standard of living of its own citizens here at home.

The American people can be both economically and militarily strong if they are but willing to give up the waste, duplication, nonessential programs and extravagances that are prevalent, not only in Federal affairs but also in many state and local governments as well. The seriousness of the present situation requires that strong leadership urge them to do so.

With the facts unfolded and convincingly presented, we have faith that the American people are prepared to do whatever is necessary to keep this country the leader of the free world in the true sense of the word, militarily, strong and economically sound, now and in the years to come.

CARL S. HALLAUER

President, Bausch & Lomb Optical Co.

The prospects in our business are promising for the continuation of a satisfactory level in both sales volume and Company earnings.

Our sales for 1957 should reach a total of between 53 and 54 million dollars. This is a 7% increase over 1956 and a peacetime record. Earnings on common stock will be approximately 30% greater than in 1956.

There was some falling off in sales in recent weeks, but current indications are more favorable. We expect a levelling-off during the first few months of 1958, followed by a gradual increase. We look for a continued growth, particularly in our basic consumer lines. Our new Balomatic—the automatic 2 x 2 slide projector which always stays in focus—has scored a spectacular success since its introduction last fall. This and other new products planned should continue to contribute substantially to our sales volume.

Carl S. Hallauer

Our Company—and, in fact, our whole industry—has a remarkable record of accomplishment in view of the increasing volume of cheap optical products that has been appearing on the American market. These imports, produced by poorly paid workmen, do not match the quality of our domestic product. They do, however, adversely affect our sales volume.

Immediate and long-term prospects for the Company are inseparably linked with two important trends in modern industry and education. Improved methods can be expected in the teaching of science. And in education, as in industry, there is a growing recognition of the importance of good vision and competent professional visual examinations. Both of these trends involve the need for optical instruments and the ophthalmic products which we manufacture.

Other factors contribute to a sound financial position for our Company. Our current bank borrowing has been reduced. No new financing is presently contemplated. Proper inventory control and turnover will be maintained. Also of significance, as previously announced, is our expected application in the near future for listing on the New York Stock Exchange.

C. F. GREGSON

President, Southern Materials Company, Inc.

Revenues in our business, sand, gravel, and ready-mix concrete, are derived from Federal, state and municipal building projects and from private construction.

Overall, we expect revenues in 1958 to be about 5% below 1957. The highway program is expected to pick up in the Spring of 1958. Military expenditures for construction in our Norfolk and Richmond, Virginia, marketing area are expected to be reduced. Scheduled commercial and industrial construction could offset decreased revenues from other areas. However, it is believed that these will lapse into delayed capital expenditures to be picked up late in 1958 and in 1959. A favorable turn in the money market, that is a further easing of credit, would speed up this type of construction.

Private housing construction in 1958 is expected to equal or be a little better than in 1957. Municipal redevelopment housing construction will be a factor in our business outlook.

As far as our capital expenditures are concerned, we expect to make selective outlays of funds during 1958 to improve existing facilities and to replace some obsolete equipment. At the same time, certain older facilities and equipment will be withdrawn from use.

Summing up, first half revenues will be lower than last year. Second half revenues should increase with a recovery in construction programs. Business in 1958 will be about 5% below the level of 1957.

CYRIL S. HART

President, Boston Insurance Company

Underwriting results for the year 1957 will no doubt reveal the heaviest losses ever suffered by the Property and Casualty insurance industry. This will complete the third year of poor underwriting experience and, although the industry historically experiences underwriting loss cycles, this one has been greatly compounded by the continuing increase in loss costs as a result of the inflationary pressure in our economy. Recognition of the need for a change in rate-making methods by both the industry and regulatory authorities has resulted in steps being taken to adjust rating practices so that rates will better reflect changing economic conditions. This has been one of the most important developments in the industry during the past year.

Cyril S. Hart

During 1957, rates have been increased in the Automobile lines and a second round of such increases is now underway. Term credits in the Fire lines for contracts written for periods of more than one year have been reduced and in two states five-year policies have been abolished. Increased rates in many Inland Marine classes have gone into effect and increases in Fire rates are expected. While it takes considerable time to reflect the benefit of rate increases in underwriting results, such increases, combined with a general leveling-off in the economy, should produce more favorable results in 1958.

The competitive situation facing the Stock Property and Casualty business continues to occupy a very important place in the thinking of companies and agents. This is a long-term problem and the mass market of individual line business which is at stake makes mandatory a careful review by the industry of its merchandising methods for the purpose of reducing expenses of distribution to a point where competition with the direct writers is much closer price-wise than exists today. Population projections indicate that we shall have an increase to about 190,000,000 by 1965 and to about 205,000,000 by 1970. This will result in a large increase of insurable values in all classes of business and particularly emphasizes the importance of the individual lines' market. Both companies and agents are well aware of the potentialities and are carefully studying the problems involved. Many necessary changes should be forthcoming, thus enabling the Stock Agency insurance industry to write its proper share of this business.

With improved rate-making procedures providing proper rates for the business written and with increased business available as a result of an ever-growing economy, the industry can look to the future with confidence. It is the nature of the business that results must be evaluated on a long-term basis. Those results have been profitable in years past and should be in the years ahead, although a cycle of underwriting loss over the short term, such as is now being experienced, is to be expected.

KARL H. HELFRICH

President, The American Tariff League

One of the many problems facing the nation in 1958 is a proper evaluation of our entire foreign trade program.

It is to be hoped this issue will not be further confused by the use of slogans or labels such as "trade not aid," "isolationist," "high protectionist," "free trader," or "visionary," which are merely attempts to win the argument before it starts. Nor should any man's patriotism be questioned because there is some honest difference of opinion as to how best to achieve our economic goals.

Karl H. Helfrich

Our foreign trade policy, the changing nature and volume of our imports and exports, must be carefully analyzed in the light of accurate statistics and economic facts. In the belief that the strength of the United States is the keystone of the whole free world, we must think in terms of jobs and payrolls, and how they are affected by both imports and exports. We must be certain that those imports which we need are available to us, and that skills and facilities necessary to our national defense are not permitted to disintegrate. We must realize that to create a job at one point and destroy one at another may not be a net economic gain for the country.

Obviously, we must also weigh the affects of our trade policies on those friendly nations who stand with us in the cold war. And this is not just a matter of what tariffs or controls we impose on imports. It also involves our methods of surplus crop disposal, and where and how we may attempt to compete in foreign markets. This is particularly true at this time when many parts of the world are changing over from a predominantly agricultural to an industrial economy.

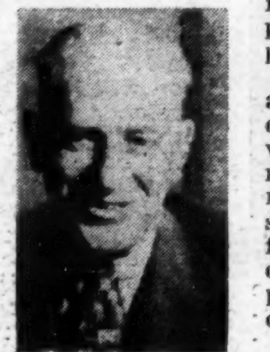
The European Common Market now coming into operation will pose further problems for us to consider. It is erroneuos to think of this broadly as a move toward freer trade. To be sure, trade will be freer among the six nations inside the common market, but some tariffs and import restrictions of various kinds will in effect be increased on shipments destined to the common market from other countries. It is a system of preferential trading.

When imports enter this country which displace comparable articles that are produced here, and when the only advantage the imports have to offer is the fact that they contain a lower labor cost, then, to that extent, we are exporting jobs and thus weakening the purchasing power of our own domestic market. An American workman at work is the world's best customer, but an American workman who is unemployed is a poor sales prospect.

WALTER E. HELLER

President, Walter E. Heller & Company

The economy at 1957 year-end finds itself gradually declining. Basic reasons therefor can be traced. Consumer buying after the war, as soon as consumer goods were available, was at unprecedented levels. This, together with large defense spending caused industry to increase its productivity not only to meet current demands but to meet anticipated future demands.



Walter E. Heller

The consumer, with the aid of credit—before the end of 1956—had fairly well filled his accumulated, unsatisfied needs, so that his buying settled down to supplying his normal needs. Then defense spending was cut back; some unemployment followed; lessened tempo followed. We thus approach 1958.

Our economy is no longer controlled by supply and demand alone. Government's ability to increase or decrease expenditures in many ways, including expenditures for defense, roads, public buildings and works, crop support and even available credit, would show our economy to be at least partially controlled. It would seem proper, therefore, in considering the immediate trend, to recognize that governmental action can materially alter it; both as to time and degree of decline and subsequent recovery.

During the period of excessive buying and subsequent industrial expansion, the use of credit both by the consumer and industry expanded greatly. The Government did little to make credit more available. It is reasonable to assume that the credit shortage that developed was viewed as a desirable brake on the economy. One can reason that if the tempo can be lessened it can also be activated when considered desirable to do so. We are pleased to believe that the Federal Reserve Board's recent reduction of the discount rate may prove to be the indication that adjustment has proceeded far enough. Based on that assumption, we believe that a further reduction by the Federal Reserve Board is likely, as is a reduction in Federal Reserve Board reserve requirements during the Spring of 1958, followed by renewed defense spending. These actions could result in our economy turning upward in the third quarter of 1958.

An alternative course that does not ignore possible political aspects of the present situation should not be overlooked. Legislators will know that the American public earnestly wants an expanded missile program. They may well seek the raising of the national debt ceiling, reasoning that the missile program has not been developed because funds were not available. If this course was followed and it was not vetoed, defense spending might be increased by Spring, possibly bringing with it increased business activity and an improved consumer attitude in the second quarter rather than the third.

In summation, barring unforeseen influences or an undue lag in the revival of public confidence, the present decline will not be allowed to assume proportions larger than now exist and the duration appears controllable.

Factors and commercial finance companies will certainly be subject to a continuing heavy demand. However, close supervision and vigilance will surely be required, as reduced business activity has already drawn attention to less efficient managements, many of whom may fail unless a reversal to less competitive conditions is soon apparent.

WILLIAM A. HEWITT

President, Deere & Company

The outlook for 1958 is particularly difficult to appraise. The economy seems precariously balanced and the current tendency appears to be a downward or sideways movement for at least the first half of the year.

William A. Hewitt

Despite a lack of clear signs for the economy in general, we believe that sales of our industry in 1958 will be about the same or somewhat lower than in 1957. There are a number of important reasons for this belief:

(1) Demand for farm products will continue strong, even with some reduction of personal incomes in prospect.

(2) Farmers' incomes from marketing farm products plus government payments will remain near their 1957 total.

(3) Farm wage rates will continue to be high, thus making purchases of farm machinery the farmers' best solution to his cost-price squeeze.

(4) Moisture conditions are greatly improved from recent years.

Strong domestic demand for farm products in 1958 seems assured because our population is increasing, children born in the postwar baby boom are growing into full-fledged consumers, and personal incomes are high and are expected to stay high. A leveling or even a moderate decline in business in 1958 probably will not have an important effect on the demand for farm products. Other consumer spending probably will be curtailed before spending for food, tobacco and fiber.

Export demand also will continue strong. A moderate decline is expected under current legislation, but proposed increases in funds to support exports may lead to agricultural exports equal to those of 1957.

The supply of agricultural products will be large in 1958 and may cause prices and consequently cash receipts from farm marketing for important surplus crops to decline. Farmers have just harvested one of the largest crops on record despite the great acreage reductions brought about by the Soil Bank. Production of the crops which had the biggest surpluses—corn, wheat and cotton—was reduced, but other crops, particularly some feed grains, moved in to take their places. Livestock production is increasing, stimulated by recent favorable prices and record feed supplies.

The Acreage Reserve portion of the Soil Bank probably will be curtailed sharply in 1958 and substantial cropland likely will be returned to production along with acres which were not farmed or had low yields in recent years because of continued drought or excessive moisture. Returning these acres to production may result in some increase in farm machinery purchases as farmers shift from machines for conservation and weed control on Acreage Reserve land to machines for crop production, and as farmers whose capital has suffered during the drought replenish their inventories of tools.

Large demand with very large output of agricultural products will tend to hold cash receipts from farm marketings plus government payments near the 1957 total. Declines in the farm population and the number of farms will continue, causing income per capita and per farm to increase, particularly for the highly productive farms which buy most of our industry's new machines. In addition, farm wage rates will continue to be high and will stimulate farmers on the highly productive farms to continue to buy new and more efficient farm machines as the best way to solve their cost-price problems.

The influence of elections on agricultural policy is another important consideration. In the 1958 election debates, defense appropriations and civil rights may get more attention than agriculture, but extended consideration of farm policy seems assured. Farmers seem to be better satisfied with their economic situation now than in the past several years because of the recent strengthening of farm income, and the apparent breaking of the drought. Also the value of farmers' assets has been increasing steadily in recent years largely because of the increase in farm real estate values. This increase has been caused primarily by farmers seeking to increase the size of their farms.

We expect sales of our industry in 1958 to continue at about the 1957 pace or slightly below it, because farmers need to lower their costs by using the most efficient equipment available and because they are financially able to purchase their requirements. Keen competition among farm machinery manufacturers will again characterize the business climate within the industry.

JOHN A. HILL

President, Air Reduction Company, Incorporated

Once again we can look backward and reflect upon a record year for general business—but looking ahead is another matter. Taking the long look ahead, there should be no lack of confidence in the basic strength and in the growth potential of our economy. Prospects for the months immediately ahead, however, do not inspire a similar feeling of confidence. Business seems definitely headed for lower levels during 1958.

John A. Hill

Fast-growing capacity, which in some lines has reached the point of current over-capacity, has resulted in a slowdown in business spending plans. Capital spending by business in 1958 is projected at a level 7% below last year's record volume.

Of even more importance are the spending plans of consumers. A steady decline in the average weekly hours of work in the factories, increasing unemployment, record volumes of consumer credit outstanding, and continuing high costs of living point toward the possibility that we may see no increase or even some decline in spending by consumers in 1958.

Recent world developments have caused a change in the Government's spending plans for 1958 but in the governmental field there is usually a considerable lag between plans and their actual effect upon business. It remains to be seen whether enlarged missile and satellite budgets will have a significant effect upon business in 1958.

Two problems seem to stand out among those that will face us this year. First of these is in the field of labor. A large number of important labor contracts come up for renegotiation during the year, and under existing contracts many automatic wage increases will become effective. These escalator increases will serve to aggravate the second problem I have in mind which lies in the management field. This is the increasing squeeze on corporate profits resulting from lower business levels, intensified competition, and increasing costs.

The stance taken by business as it faces these problems and the manner in which it deals with them will have a great deal to do in determining the placement of the bottom of 1968's curve of business activity—both as to its level and its location on the calendar.

A third most important factor bearing upon 1958 performance should be mentioned—the matter of attitude. During economic turning points such as that we now seem to be passing through, psychological implications become more critically important. If the symptoms of recession, which are now being reported almost daily in the press, are viewed only in the dim light of today's operations and its urgencies, they could lead us into a psychosomatic recession more serious than warranted by actual conditions. This is a problem that faces us all as consumers, as businessmen, or as government employees. It is also a problem that is infectious, which makes it all the more important that we, each one of us, guard ourselves against exposure to pessimism.

Nineteen hundred and fifty-eight may not be another record year but it will be a good year by many standards. In particular it will be a good year for those who remain confident, who maintain a flow of new ideas, new efforts, and new products, and who do not overlook the promise of future growth to come. We must not forget also that the most successful business is the one whose success comes from within and not wholly from the external influence of a business boom. 1958 may mean a decrease in general economic activity but it will at the same time mean an increase in general economic opportunity for the more successful businessman.

WARREN E. HILL

President, Thermoid Company

The year 1958 looks as though it will be highly competitive in the friction and mechanical rubber fields in which Thermoid does the bulk of its business. In these fields, physical volume should be about equal to 1957, though Thermoid itself hopes to exceed 1957 by about 9%, not considering its Carpeting Division which has been in liquidation since October, 1957.

Warren E. Hill

In automotive equipment, Thermoid anticipates that improved volume in replacement sales will at least offset any reductions in original equipment sales, and there is optimism that the latter may be better during the second half year than now seems to be anticipated by the automotive industry in general.

In mechanical rubber products, Thermoid expects unusually keen competition, but also to do at least as well as in 1957. The national road building program, which did not gain as much momentum in 1957 as was hoped, should be a more positive factor in 1958, particularly if easier financing terms should make it more opportune for the Federal and State Governments to raise the required funds. This program should particularly benefit sales of conveyer belting. Also, the oil industry, in spite of drilling cutbacks, should continue to take large amounts of hose of various types manufactured by Thermoid.

The international uncertainties make forecasting more

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difficult than usual, but Thermoid expects 1958 to be an active year in all its major product lines, and feels that it is in a sound position to take full advantage of such economic changes as may appear throughout the year. The p.oposed large defense expenditures should filter down tnrough the national economy and be reflected in increased economic activity during the latter part of 1958. It should be at this particular phase that Thermoid will feel benefits in sales volume. In support of this forecast, Thermoid proposes to continue its program of general facilities rehabilitation and improvement, although at a pace slightly reduced from that of 1957 when expenditures for capital improvement substantially exceeded depreciation.

PETER W. HIRES

President, The Charles E. Hires Co.

We are, of course, very conscious of certain economic conditions which appear to be developing and which could have an adverse effect on business in 1958. Our approach, therefore, to 1958 is one of cautious optimism.

P. W. Hires

We have our plans all laid out and ready to go. With the changes we have been and are making, we see good prospects for having a successful sales and profit picture in 1958.

Over the period of the last few decades Americans by the millions have become used to more leisure time, more recreation, and more spending money. This is particularly reflected in the money spent by American youth who spend each year unprecedented amounts of money for soft drinks, candy, clothes, phonograph records, and amusements.

The soft drink per capita consumption has risen very materially over this period, and at this writing is continuing to rise. For instance, in 1956 the per capita bottle consumption of soft drinks was 188, and in 1957 it has risen to 194.

In the light of these conditions, it is only natural to assume that Hires will continue to get their portion of this increased consumption. This, along with the large scale merchandising, sales and promotional activity in which the Company will engage in 1958, should insure the forward movement of Hires.

As mentioned earlier, however, economic factors certainly could have an adverse effect on sales and earnings. This, of course, we are taking into our calculations.

PETER F. HURST

President, Aeroquip Corporation

Gazing into a crystal ball is always a hazardous undertaking. Nevertheless, in business you have to plan ahead and, as a result, forecasting becomes quite important. At Aeroquip, we are always projecting future trends based on foreseeable conditions.

Peter F. Hurst

Before acquainting the reader with our views, I would like to note that Aeroquip's major products are flexible hose lines with detachable reusable fittings, self-sealing couplings, specialized clamps and couplings, flex-joints, hot air valves, and cargo handling and tie-down equipement. Our customers include manufacturers in almost every capital goods industry. The volume of our business is divided about 55% military (this is principally related to Air Force procurement) and 45% industrial. Thus our operations reflect a wide cross-section of the American economy. At this particular moment, Aeroquip is experiencing a slow-down in defense contract business, a situation being shared by many other firms. This reflects the "stretchout" in procurement initiated by the Defense Department last year and it has had quite an impact on our business. It appears fairly certain, however, that there is going to be a turnabout in defense spending, especially in the aircraft, rocket and guided missile fields, where Aeroquip is actively concerned.

Nonmilitary industrial business is also going through "a weak period." I subscribe to the opinion that this aspect of the nation's economy is witnessing nothing more serious than a long-needed adjustment. For some time now business in the U. S. has been rising with scarcely a pause. To use a newly popularized word, the economy needs to "plateau" for a while in order to check inflation and to permit the realignment necessary when capacity catches up with and exceeds demand.

It is hardly practical to expect every year to be a record one—and "second best" or "third best" is no reason to feel despondent. A short time back, I read a very small news item on the sports page about someone again breaking the 4-minute mile. Not too long ago, such a performance was front page news. Yet today, while still an outstanding achievement, nobody is overy impressed.

By no means am I endorsing complacency. But the alternative should not be the ringing of the alarm bells which psychologically and, in time, factually can cause serious harm.

Irrespective of the current dip, we believe Aeroquip's business in 1958 might very well show a further gain over record-breaking results achieved in 1957.

In our opinion the economic correction now taking place is of a passing nature and, while it is regrettable that it creates temporary unemployment and business failures in some instances, the enduring business health of our nation will be strengthened.

There are meaningful developments in several directions. The last report I read on manufacturers' inventories showed a decrease. In times of adjustment such as now, it would be very dangerous if inventory levels were increasing. Capital expansion has declined but likewise this has eased inflationary pressures which should prove helpful to many businesses. The value of new construction in the first 11 months of 1957 was slightly above the corresponding period of 1956. While most of this rise is attributable to higher prices, the fact remains that this important yardsick of our economy is holding up.

One further paramount point. It is still within the ability of an individual company to do better than the general trend. Engineering, production and sales ingenuity are never out of fashion and always have their reward.

P. M. JARVIS

President, Swift & Company

Prospects in the meat industry for 1958 are encouraging, with ample supplies of raw materials forecast.

Total meat production will probably be at about the same high level as 1957, indicating volume and employment at meat plants will continue to be favorable.

P. M. Jarvis

Pork production is expected to be higher. Beef production will decline somewhat, but will still be at a high level. The same generally holds true for veal and lamb.

"Abundance" is the word in the poultry industry, with record broiler supplies expected.

Plentiful feed supplies point to continued high-volume livestock production for some time ahead.

In the broad picture, flexibility will be the key to progress in the meat industry, as it adapts to changes and new demands. For several years, major changes have been marked in the whole food field—changes in production methods on farms, processing at plants and in all aspects of food marketing.

Continued improvements in processing efficiency are certain to come in the days ahead. Added emphasis on research undoubtedly will bring improvements in products and processes, to help meet the challenge of changing times.

GALE F. JOHNSTON

President, Mercantile-Commerce National Bank, St. Louis, Missouri

Business activity in 1958 will probably continue in a downward trend. Over the past year the economy has been subject to many pressures which have resulted in a slightly lower level of activity. The Federal Reserve Board Index of Industrial Activity fell from 147% of the 1947-49 average in December 1956 to 142% in October 1957. This decline came about primarily as the result of decreased activity in the durable goods manufacturing industries. It is expected that a further decline will occur in the next year. Machine tool orders have been declining steadily sine early in the year. The response of consumers to the new automobiles has been unfavorable, and the sale of appliances has run well behind expectations.

Gale F. Johnston

The period of tight money, which prevailed throughout most of the preceding two years, showed signs of coming to an end in the last quarter of 1957. If the trend of business continues downward, it is almost certain that the monetary authorities will adopt more aggressive policies to ease money. Whether a period which can be described as "active ease" will prevail in the coming year is doubtful, but it is likely that bank loans will be somewhat easier to get in the next year. Corporate borrowing in the long-term market should be somewhat lower since it is anticipated that plant and equipment expenditures will decline. It may, however, be necessary to borrow some funds in order to finance projects which were completed last year. There is little sign that state and local governments will reduce their borrowings in the current year. Because there are reports that local government revenues are falling expectations, there may be a tendency for some projects to be postponed. The Federal Government may incur deficit in the next year as the result of increased expenditures for national defense and a slightly lower level of revenues resulting from somewhat lower personal and corporate profits. Treasury borrowing will, therefore, be an important factor in the market.

This is a period in which the economic forces are tending to push business to lower levels. It would, however, be possible for certain unforeseen factors to stimulate business and, therefore, industrial leaders should watch trends in the immediate period with extreme care. Consumers expenditures and the Federal government expenditures for national defense will probably be the most important areas in which a recovery could start. It is also necessary to reiterate that international political trends should be watched.

J. PAUL JONES

President, Pennsylvania Grade Crude Oil Association

The 1957 operations in the Pennsylvania Grade crude oil producing area have been successful with daily output higher than recorded in 1956. In addition, the various drilling and development programs have resulted in bringing in considerable additional crude oil reserves.

The above results have been experienced in many of the areas of the four states producing this grade of crude oil, i. e., Ohio, New York, Pennsylvania and West Virginia. It has been particularly outstanding in the two latter states.

An example of the year's activity has been recently publicly stated by Walter S. Hallanan, Chairman, National Petroleum Council, who at a meeting in his native city of Charleston, W. Va., said, "strange to us as it may seem, oil men from Texas and other western oil producing states are today leasing land and drilling wells in West Virginia, so that there is more drilling going on than at any time in the past 25 years. This has resulted in West Virginia's oil and gas production registering an increase." Equal success has also been recorded in the Bradford Field of Pennsylvania.

The Pennsylvania Grade Crude Oil Association is actively sponsoring research programs in the Pennsylvania State University covering both production and refining projects. Various oil companies have also individually sponsored research programs at the same institution as well as at the University of West Virginia at Morgantown and at other laboratories in other areas. Particularly is the miscible phase recovery project being included in the various research programs and also included is the insitu or underground combustion project.

Pennsylvania Grade Crude Oil industry enters 1958 in a strong position, since with its increasing trend for production and crude oil reserves, it particularly fortifies the industrial facilities operating on its raw material, making possible maintaining its long-time standing on the over-all oil industry.

WILLIAM G. KARNES

President, Beatrice Foods Co.

In a period of declining business activity it is not always easy to maintain a constructive outlook with regard to economic prospects. Yet, if we do not do so, we are liable to attach too much importance to passing difficulties and when the business cycle turns up again we learn to our cost that we had momentarily lost our sense of proportion.

Wm. G. Karnes

Except for comparatively short intervals of decline, the American economy has been developing and growing uninterruptedly for nearly two centuries. And we can be certain that in the natural course of events the economy will resume its upward course.

We can look to the future with a great deal of assurance because we know that the wellsprings of our economic growth continue unimpaired. The hesitations we encounter in our economic advance are due to errors we ourselves make on a mass scale.

The ingredients of a sound and sustained economic growth and development are adequate resources, a skilled and ambitious working population, and efficient, competent management.

Although our resources have been depleted by two wars we still have resources in abundance; soil, food, mineral deposits, water, timber and the other resources upon which an economy depends. We also have a fully developed and highly efficient national industrial plant with all the facilities that go with it.

We have a skilled and disciplined work force, able and willing to develop our resources and man our industrial machines and commercial facilities. We Americans work harder and accomplish more proportionately than the people of any other nation. The skills we possess as a nation and as individuals are the envy of the rest of the world.

Given ample resources and a skilled and disciplined work force, the ingredient necessary to put them together and make them productive is competent direction, leadership, or simply management. This essentially means organizing ability, the capacity to get projects into operation and keep them going. It includes research which, from an economic point of view, is simply the problem of discovering and developing new economic opportunities.

Inasmuch as the national economy of the United States possesses these three ingredients in full and effective development it can be safely predicted that our economy will emerge from declining periods stronger than ever and continue its growth and development in accordance with the needs of the population.

The food industry, for example, with which Beatrice Foods Co. is identified, is one of the industries that was seriously distorted by the war. The incentives given farmers to produce vastly increased quantities of food for the war effort were continued after the war with results that are familiar to all of us. Farm products purchased and held by the government still total some 7 or 8 billion dollars.

The increase in population since the end of the war has, however, absorbed the greater part of the increased production of many foods, particularly meats. Corn, cotton and wheat and other grains, together with some dairy products, account for the great bulk of the government's holdings of farm products.

The food industry is far and away the nation's largest and most basic industry absorbing as it does about 21%

of the total consumer expenditures for goods and services, or about 70 billion dollars. An interesting and important fact about the food industry is that food consumption per person is an unusually stable quantity. Year in and year out people eat about the same total poundage of food. The types of food may vary but the quantity remains the same.

HOWARD KELLOGG, JR.

President, Spencer Kellogg and Sons, Inc.

The vegetable oil processing industry has been working under somewhat adverse conditions over the past several years due in part to the government support program. There is no clearcut indication that the situation will change in the near future.

H. Kellogg, Jr.

Thus, although volume in several segments of the industry has been good and in soya beans at its absolute peak, nevertheless profits have been somewhat less than desired.

In the current crop year, the Department of Agriculture has indicated a soya bean crop of 491 million bushels as compared with 455 million bushels a year ago. Were the entire 36 million additional bushels immediately available for eventual processing, a clearer picture of the next six months' operations would be obtainable. However, it is estimated that as high as 150 million bushels of the crop will be put under the support program as compared with but 65 million in the 1956-1957 crop year. The 150 million bushels will be available sometime after May 1, 1958, but at the government support price or higher. This establishes a floor beneath which soya beans are not likely to drop, but at the same time end product prices are not given this same benefit. Competitive articles which make the market for the latter in many instances are not hampered by government regulations or support programs. The soya bean industry has been sorely tried by a continuing succession of circumstances beyond their immediate control, but has shown a good account for themselves by their industrious efforts to improve the overall picture.

The flaxseed processors were dealt a rather severe blow in the current season when the flaxseed crop was virtually cut in half by adverse climatic conditions during the growing season. As a result prices for the raw material have been higher than originally anticipated. Linseed oil has likewise advanced, but despite this the demand for oil has been good and the processors are fairing better than they had any right to expect under such conditions.

The vegetable oil processing industry to a great degree is an essential industry. Many of its products enter into edible fields either for human or animal consumption. Thus, even with business recessions, the volume of the vegetable oil processors usually declines less than overall business as a whole. Specifically, margarine, of which soya bean oil is the major constituent, is frequently substituted for butter because of the lower price of the former. In the case of the vegetable oil meals, their usage is almost exclusively in manufactured feeds. In lean years, it has been proven that more efficiency results when manufactured feeds are used as against home-grown grains. For these reasons and many others, the vegetable oil processing industry must be considered an excellent defensive group.

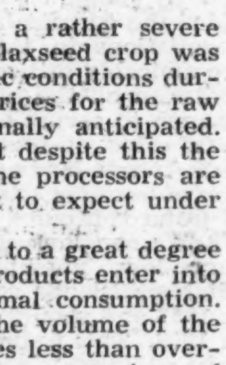
The research departments of the entire industry are working strenuously to find new outlets for their products, and to upgrade the already existing basic materials. With their tireless efforts, coupled with the keen sense of awareness by management that there are problems to be overcome, the industry is building a solid foundation for its future.

E. J. KENDALL

President, La Salle Extension University

The outlook for 1958 in the business training field is tremendous.

Everywhere you see evidence of the dire need of supplementary business training.



E. J. Kendall

More than 5,500 training agreements are in effect between industrial organizations and accredited home study schools.

It has been estimated that more than 700,000 new students are enrolled in the 400 private home study schools in the United States each year and the active student body varies between 1,000,000 and 1,500,000 at all times.

Approximately 75% of all private home study students enroll in vocational courses for craftsmen, foremen, and kindred workers. A large number in radio-television-electronics.

More than 44,000 students enrolled in home study subjects in engineering training last year.

More than one-fourth of all of the Certified Public Accountants in the United States have been trained by private home study schools.

The average home study student is 27 years of age and has reached the point where he knows that his basic education and training must be supplemented by additional business training to enable him to qualify for promotion and advancement.

President Ralph J. Cordiner, General Electric Company, in his book, "New Frontiers for Professional Managers," analyzes the need for business training under the caption, "Development of Men." He points out that the studies of the General Electric Company indicates that this challenge will be met by applying four concepts, namely:

Self-development
Climate for growth
Manpower planning
Increased education

The General Electric Company has one out of eight General Electric employees at all levels of the organization take advantage of the company conducted courses each year and the cost of this education and training activity in General Electric Company is on the order of $35,000,000 to $40,000,000 per year.

President Cordiner also reports that about 4,000 General Electric men will be taking the Professional Business Management Course in decentralized components across the country. Within three years it is expected that 25,000 employees will have completed this course of study.

There are many other statements issued by business leaders regarding the need for additional training and therefore the outlook for the "business" of adult education is a challenge which will assure continued growth.

I firmly believe that the year 1958 in our field will be an outstanding year. We sense the realization by hundreds of thousands of ambitious men and women of the need to qualify for better jobs resulting in increased pay. Management is in full accord because the crying need of business today is development of men to assure continued profitable operation.

Our educational institutions are overloaded. We have been told by the leaders of the schools of business of our institutions of higher learning that their facilities are taxed beyond their capacity. However, individual adults in business may select the training needed from the more than 400 schools who are offering special training courses to busy individuals who necessarily must study on their own time after business hours at low cost.

Nineteen fifty-eight will be our 50th Anniversary Year. We confidently expect substantial increased enrollments through the cooperation of many of the more than 1½ million students whom we have served.

We believe that increased education of the adult is the greatest possible source of increased momentum for all business, banking, and industry. If we all put our shoulders to the wheel in the realization of the tremendous job which is to be done, I think the year 1958 will be surprisingly good to reward those who make the effort.

W. L. KIRKLAND

President, Warren Brothers Company

The highway and paving industries appear to face a period of substantial growth extending over many years. Barring international military conflict, this prospect of increased business is the result of a combination of factors, including the huge program of the Federal Government for the construction of an interstate system of highways.

There is a steady increase in the number of automobiles and trucks on our streets and highways. From a current estimate of about 66,000,000 vehicles for the year 1957, it is expected that in 20 years the number will increase to more than 90,000,000 motor vehicles using our highways. The average number of miles driven a year by motor vehicles has also increased and will probably continue to do so.

With the bulge in population growth which we are now witnessing and its prospective continued growth, the construction of vast housing developments, the moving of innumerable families to suburban areas and the building of industrial and shopping centers far from congested high-tax localities have all contributed to greater use and dependability upon motor transportation by each segment of our society. With such use has come the demand and necessity for enlarged highway systems and better and more durable pavements.

Some idea may be obtained of the magnitude of the Federal Highway Building Program from a brief review of its scope and its demands on the highway and paving industries.

The Federal Highway Act of 1956 authorizes $24,800,000,000 of Federal funds to be expended on its interstate system of highways. This will be matched on a 90% to 10% ratio with state funds of $2,600,000,000. The annual authorizations for the next two fiscal years are $1,175,000,000 for the year ending June 30, 1958 and $2,000,000,000 for the year ending June 30, 1959. Prior to the 1956 Act, the total amount of Federal funds authorized for the interstate system was $400,000,000. In addition, the 1956 Act also increased Federal aid for primary and secondary systems to $825,000,000 for the 1958 fiscal year and $875,000,000 for the 1959 fiscal year. The 1956 Act will make more Federal aid highway funds available to the states in the first four years of the new program than in the preceding 40 years. Proposals are already being made to expand the Federal program and to extend it over a greater number of years.

The new interstate system will criss-cross the United States and provide 41,000 miles of expressways connecting 90% of the cities of more than 50,000 population. The Federal aid highway systems which fall outside the new interstate system encompass the vast total of 755,000 miles of highways. These are known as primary and secondary systems which are eligible for Federal aid to supplement state funds.

These programs and essential normal expenditures for maintenance and improvement of streets and highways which do not receive Federal aid will have an obvious effect on the highway and paving industries and the manufacturers and suppliers of machinery, equipment, supplies and materials which service these industries.

The rate at which work has been brought out under the new program has been retarded by several factors, including delays in laying out proposed units and integrating them into the system, extensive engineering and involved land takings. These are all time-consuming problems, but after initial delays, it is expected work will be brought out at an increased rate. The Administration has also announced that although it expects to curtail some expenditures for civilian purposes, the roadbuilding program may be accelerated. Not only will this be an aid to business generally, but defense measures require as speedy a completion as feasible of our highway communication and transportation system.

At least for some indefinite period, the heavy construction and paving industries are adequately equipped and able to prosecute all work which becomes available. Before the enactment of the Federal Highway Act in 1956, the capacity of these industries was ample to perform all work which was then foreseeable, but with the enactment of the new law, additional machinery and plants were acquired in large numbers by many companies in anticipation that work under the new program would commence without delay. As a consequence, facilities for performing work are in excess of requirements. This has resulted in close bidding on work at all levels, and profit margins have remained low. Machinery and equipment manufacturers have also produced in substantial quantities in anticipation of future needs.

Both the heavy highway construction industry and the paving industry in the United States are made up of a few thousand operators—ranging from several doing a gross business of $50,000,000 or more a year down to many family-owned and successfully operated units with a small line of equipment.

Heavy construction and paving are essentially different activities requiring different personnel, experience and skills. The operating subsidiaries of Warren Brothers Company, of which there are 12 in the United States and two in Canada, own and operate 78 asphalt paving plants and are engaged primarily in the construction of bituminous concrete pavement, although subsidiaries in Texas perform a substantial amount of heavy construction and portland cement concrete paving. Most of the contracts of the Warren companies are in relatively small amounts, although numerous in number, and work performed currently aggregates about $70,000,000 a year. A large number of paving contracts of moderate size have been found more profitable than reliance upon a lesser number involving heavy construction with the hazards usually encountered in such work.

In conclusion, it is apparent that the highway and paving industries face an expanded volume of business. The extent to which this may be reflected in the net earnings of those engaged in the business will depend to a large extent upon the rate of absorption of present excess capacity in future work and in the relationship between capacity and expanding volume in the years ahead.

MAXWELL C. KING

President, Pacific Finance Corporation

Current forecasts by spokesmen for the automotive industry indicate that 1958 sale will be down from the 1957 level, with estimates of the reduction in units sold varying all the way from 5 to 10%.

Maxwell C. King

The extent to which this anticipated reduction will affect the sales finance industry will be offset by two factors:

First, there has been a long-term up-trend in the proportion of new car purchases which have been financed by instalment credit. This proportion has increased from 42% in 1948 to an estimated 65% last year, and the widespread use among American consumers of the institution of instalment credit implies that this trend will continue.

The second relevant factor is the increased unit price of automobiles.

These factors suggest that the dollar volume of sales financing will uphold or exceed the 1957 level.

There are other factors which should affect the sales finance industry satisfactorily. For many potential customers, this year will mark the completion of instalment payments for cars purchased during the peak 1955 production year, and it can be anticipated that a reasonable proportion of these customers will be returning to the new car market in 1958. Disposable personal income reached an all-time high last year, and individual liquid savings attained a record level. This suggests a substantial potential market of qualified new car customers.

Within the framework of this generally favorable outlook, Pacific Finance is in the position of being located in areas with a strong growth potential. A study made for our company by Stanford Research Institute has pointed up the fact that, for the most part, the states in which we operate exceed the national level of population growth, per capita income, and automobile registration, and that these states will continue to surpass the average national growth rate.

This outlook will contribute to a favorable climate for the operation of the company's sales finance and consumer loan activities in 1958.

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JOHN A. LAWLER

President, Aeronca Manufacturing Corporation

The Aeronca Manufacturing Corporation over the past several years has established a position as a major supplier for airframe and missile components to the defense effort. We look forward to maintaining our position in this field for the foreseeable future.

The impact of Russian achievements in the field of missiles and satellites and the resulting critical public review of our defense posture is creating a very healthy determination to regain our U. S. position of leadership. This we believe to be sound. Fact, however, should not be obscured by hysteria. The facts are that the United States has developed and is maintaining a military force capable of discouraging aggressive action by our known adversaries.

The Strategic Air Command, equipped with the B-47 and the B-52 and their flying gas station, the KC-135 tanker, is ready and able to execute the principal of "mass retaliation" on which the United States has stood. The super-sonic B-58, the most modern and most deadly bomber of today's arsenal, is nearly operational.

Nearly 43 missiles are reported either operational, or nearing production. These come from the Air Force, the Army, and the Navy.

We recognize that defense spending will increase appreciably during the first half of 1958 with greater emphasis on missiles and supporting equipment. Nevertheless, a knowledgeable forecast indicates a continuing need for manned long-range military aircraft. Manned missile launching aircraft and large transport airplanes will continue in demand for some years as an important element of our defense armament.

During the next several years a marked transition will take place in manufacturing techniques for aircraft and missiles. These will involve both new and "exotic" metals as well as processes. Aeronca has kept abreast of these new developments and expects to be ready for the change.

Tight money and narrow profits are expected to pose some problems in expanding facilities and obtaining new and specialized equipment to satisfy the Company's needs. We have in the past been moderately successful in overcoming these obstacles and believe we can continue a normal healthy growth in spite of these deterrents.

Management effectiveness, management skill will be increasingly essential. The ineffectives, or those companies lacking aircraft skills, may be forced to look to other fields. The development of the "weapons system" principle of procurement does not necessarily mean new corporations or divisions in the missile and rocket field, but the application of the scientific and technical knowledge developed and available in the aircraft field. Coupled with the application of these skills must come their development and application to production processes promptly and at reasonable cost.

To summarize, we believe the airplane and missile industry will necessarily remain strong during 1958 and beyond. We look forward to a continuing requirement for long-range high-performance military aircraft of all types. Development of missiles and rockets will be strongly stimulated. New techniques and processes will be developed and applied. Management skill will, of necessity, be stimulated. Continued modernization and growth of the airline fleet is assured over the next several years. This segment of the industry will require the strong support of aircraft manufacturers and suppliers. These combined defense and commercial aircraft requirements will provide ample opportunity for the aggressive and alert airframe and missile components producers.

HOWARD LEOPOLD

President, Ero Manufacturing Company

"Retrenchment" is the best word for predicting the economic situation during the first half of 1958.

It is my feeling that this period will bring greater unemployment, less buying, and increased difficulty in liquidating the tremendous amount of consumer paper now held by the banks and finance companies.

Howard F. Leopold

It is my opinion that this negative reaction began when the government started cutting back and canceling its contracts with the airplane companies. As a result, thousands of skilled mechanics and semi-skilled workers were laid off within a period of one or two weeks, with no possibility of absorbing them in other work.

Most of today's buying is in lower priced merchandise. Those who are still employed, sensing the trend towards production cutbacks, are curtailing their expenditures and conserving those funds they still have available.

This holding back by the consumer also reflects a general lack of confidence and uncertainty about the direction our government is taking during these trying times. The Russian gains in science, especially with Sputnick, have created further uncertainty and unrest in people's minds.

Until the government shows more resolute leadership and until the people have more confidence in its ability to cope with the present complex situation, it is my feeling that this condition of economic uncertainty will continue.

Another unfavorable situation today is the price-cost squeeze. Labor continually demands more without a proportionate increase in productivity. At the same time the consumer demands more at less cost. These two factors plus the continual siphoning off of what might be left after taxes, leaves little incentive for the manufacturer already beset by the growing complexities of doing business.

Strange as it may seem these adverse conditions in the economy as a whole hardly affect our own industry—automobile seat covers and accessories—which is in a unique position.

Contrary to nationwide trends, our industry is presently experiencing a rise in average prices and in total unit and dollar sales. This has been accomplished by an intense promotional and merchandising program initiated by the industry itself more than a year ago. Other industries can accomplish the same thing if they set their mind to it.

Our industry's and our company's efforts are based on the assumption that the automobile long since has passed out of the pleasure and luxury stage. Today it is an essential means of transportation, and, in many parts of the country it is the only means. We know that as long as automobiles are being used they will require parts and service.

We have found, futhermore, that in simliar periods of economic retrenchment owners take better care of their cars in order to make them last longer. Since upholstery is the only important part of the car not guaranteed by the Detroit manufacturer, and since it wears out easily and cannot be replaced, except at great expense, the only logical way to protect it is with seat covers.

Since seat covers are our company's principal line we expect Ero's sales for 1958 to continue at their present high level.

Other products produced by Ero will do equally well in 1958, we feel, since they are commodities essential to the home, a market that has been growing with the home construction boom of the postwar years. These are hassocks and metal furniture, products with a low unit cost and multi-purpose functions.

We at Ero Manufacturing Company are working on a formula that we have used for many years. It is very simple. When the going gets tougher, work harder. This is the only way in which the men will outlast the boys.

G. V. LEECE

President, Gardner-Denver Company

Based on the projected business outlook as prepared by our executive group, we are more or less anticipating that 1958 will result in a cross section of good business and, to some degree, reduced business, according to the sales areas we now cover.

G. V. Leece

We expect increased activity in the field of petroleum and contracting, while on the other hand we expect some reduction in purchasing activity in the areas of our industrial and mining products.

All in all, it is our anticipation we will have a slight increase in business in 1958, with profits improved accordingly.

ELMER L. LINDSETH

President, The Cleveland Electric Illuminating Co.

In addition to moving forward on many other fronts in 1957, the investor-owned electric utility industry showed continuous progress and significant expansion in the field of nuclear power. During the year, over 100 private electric utility companies, together serving a majority of the nation's electric customers, were actively engaged in various phases of nuclear power research, development and construction.

Elmer Lindseth

Some 60 companies were participating in the planning or construction of 13 nuclear power plants. Three of these, in which steam from the reactor is used to operate turbo-generators on private company systems, were completed and placed in use during the year.

Four other plants were under construction and the remaining six, including four in which firm proposals were submitted to the Atomic Energy Commission during the year, were in various stages of planning.

The seven plants either in operation or under construction will have a combined capacity of more than 750,000 kilowatts and involve expenditures, by the companies concerned, of over $285 million.

In addition to the 13 nuclear power plant projects, private electric utilities are participating in a number of research and development groups, three of them formed during the recent year. One of these is specializing in the field of thermonuclear energy.

Additional electric utility companies are investigating various aspects of nuclear power as members of study groups or individually under the AEC access permit program.

All told, the investor-owned segment of the electric power industry is now engaged in a substantial effort aimed at bringing about the development of economic nuclear power at the earliest practicable time.

While the technological and cost challenges are indeed formidable, electric power companies, both separately and in groups, have continued to demonstrate their eagerness and competence to do their part in overcoming these difficulties.

During the past year it has been claimed by some that the development of atomic power for electricity in this country is not keeping pace with atomic power development in other countries.

It is recognized that the Administration or the Congress may conclude that recent events warrant expansion of the present rate of atomic power development in the United States. Acceleration purely on the basis of domestic requirements, however, cannot be justified.

If it is concluded that the program should be expanded, we believe that those who shape the nation's policies should clearly define the objectives of the enlarged effort, as well as the specific steps required to meet the objectives.

Such a program should operate within our national framework of free enterprise. It should be in accord with the principle, as declared in the Atomic Energy Act of 1954, that "the development, use and control of atomic energy shall be directed so as to . . . strengthen free competition in private enterprise."

Any expanded program would probably cover a substantial period of time, perhaps ten years into the future. It is probable that it would embrace three or more phases: research and development work, construction of intermediate experimental prototype reactor projects and construction of full-scale demonstration nuclear power plants.

Because such a program would go beyond the needs for domestic development of competitive nuclear power and require efforts beyond those which result from normal busines incentives, it follows that greater financial participation by the government than present government policy provides would be required. The additional government participation would serve to help cover the excess cost of each phase of the expanded program.

To such a program, when defined, the investor-owned electric utility industry will give wholehearted accord and will continue to make available to the fullest extent possible its resources of experience, organization and financial support.

ARTHUR D. LEWIS

President, Hawaiian Airlines

The economy of the Territory of Hawaii has continued an upward growth during 1957 supported by marked expansion in population, record levels of construction, sharp advances in tourism and high levels of defense activity should continue in 1958 provided the current labor management negotiations in the sugar industry are amicably settled and the present recession on the mainland does not become so severe as to have an adverse effect on tourist travel. Long-term trends leading to a concentration of business activity on the Island of Oahu continued throughout 1957. While unemployment on Oahu was very low, unemployment on the neighbor islands continued to grow in 1957 and should continue to grow in 1958. This trend reflects itself in reduced inter-island travel by local residents. Travel by inter-island residents was down for the fourth year in a row.

Arthur D. Lewis

The increased inter-island travel by tourists offset this so that the total inter-island travel market expanded about 7% in 1957 over that of 1956. It would appear that a moderate increase should occur in inter-island travel in 1958.

The outlook for tourist development in 1958 in Hawaii as well as in the South Pacific is good barring a long and severe recession on the mainland.

J. F. LOCKWOOD

Chairman, Electric & Musical Industries, Limited

The outlook for the phonograph record industry in 1958 is necessarily colored by the state of business today and by expectations about the course of events generally 1958. It is, of course, extremely difficult to assess the future economic climate. Many economists think there will be a recession in the next six months in the United Kingdom and in the United States. In both countries there has certainly been a small rise in unemployment. On the other hand, our knowledge of the causes and cures of falling income is so much better than it was in the 'thirties that this recession need not and surely will not be allowed to get out of hand. The Government has powerful fiscal and monetary weapons with which it can maintain a high and rising level of economic activity.

J. F. Lockwood

It is interesting to note that consumer spending has kept up quite well. A minor recession in the early part of this year is likely, of course, to be reflected in the level of personal incomes and in the amount spent on goods and services. Nevertheless the phonograph record industry is not likely to be seriously affected.

For many years the phonograph record industry has enjoyed rapidly rising sales. One important factor causing this was the introduction of microgroove records. Moreover, people have become more interested in recorded music, the quality of which is nowadays so excellent. Technical progress has been considerable in the postwar years. I think the fall in business activity will

be moderate and of fairly short duration and phonograph record demand will continue high.

THAYER LINDSLEY

President, Northfield Mines, Inc.

We are going through a temporary period of readjustment in business. As it was in the 1953-54 setback, the growing economy of Europe will come to the rescue, and be a steadying influence. My belief that this factor will play a similar rôle now, is based on some observations gained on a recent trip abroad:

(1) In Europe we have 300,000,000 active consumers with a standard of living far lower than ours.

(2) The conservative elements in Russia will restrain the Kremlin from launching a new world war.

(3) The greatest bonanza the world has ever seen is pouring forth its wealth from the oil fields of the Middle East. This flow of energy may exceed before long 5 billion barrels of oil per year, and supplementing it later we shall see another vast flow coming from the Sahaha.

What all this adds up to is that we have here a great stimulant towards an intense industrialization of the continents of Europe, Asia, and Africa, accompanied by a world-wide demand for metals far greater than anything we have seen.

DONALD B. LOURIE

President, The Quaker Oats Company

A major trend in the food industry is the continuing development of convenience products. The tremendous number of new products being introduced has caused sharp competition for shelf space in food stores. Food manufacturers must offer the homemaker products that are genuinely superior in quality and ease of preparation.

Donald B. Lourie

In recent years there has been a trend toward lower inventories, on both the wholesale and retail levels. The food industry must find ways of maintaining adequate stocks, so that the customer can buy what she wants when she goes to the store. The Quaker Oats Company and other manufacturers have constructed warehouses and distribution centers to speed service in major market areas. We must all continue working cooperatively with distributors to find still other solutions.

We are looking for a continued increase in sales volume. For one thing, the food business is favored by an increase in population. Secondly, for the kinds of foods that we sell, we anticipate a stable demand. We expect that there will be no significant change in prices of our products.

Concerning both sales and advertising budgets, I do not foresee any significant increase. Inflation may cause these budgets to edge up a little. Furthermore, there may be a slight rise in advertising expenditures for the introduction of new products.

I believe that present signs point toward continued stability in our business.

MARTIN MACK

President, Reading Tube Corporation

Business in general as well as the public at large is currently in a cautious mood. Most industrial indices have been drifting downward for the better part of a year. At the same time, unemployment has risen somewhat and the average work week has been shortened.

Underlying business sentiment reflects a belief that the current recession is temporary and that the latter half of 1958 will see a resumption of the long term upward trend of general business activity.

Martin Mack

Corrective forces have been at play in the market for copper and copper products for some time past, following a period featured by excesses. The decline in price of copper has been one of the most precipitous on record. Most industry sources agree that the corrective process has substantially run its course. It is significant that the adjustment had its inception long before the current period of adjustment in our over-all economy set in.

There are a number of bright spots in the markets for copper products, especially that of copper tubing which Reading Tube Corporation manufactures. Housing starts have been on the upswing since the spring of 1957. Industry sources suggest that as many as 1,075,000 will be started in 1958, or 6% more than in 1957. The use of copper tubing in houses should expand at an even faster rate.

Reading Tube's prospects for 1958 are heightened also by the fact that its new electrolytic refinery will be in full commercial operation. This facility, the first refinery to be built east of the Mississippi in 55 years, offers a number of advantages:

In addition to affording the company another important source of earnings, it frees the company from dependence upon outside sources of copper. While copper at present is freely available, historically it has been a feast or famine commodity. During copper shortages, such as in 1955 and 1956, premium prices paid for copper have seriously penalized Reading's profits.

The refinery will also assure Reading's control over the quality of its copper billets. Quality control is vitally important in tube manufacture since the least impurity in a copper billet can ruin tubing drawn from it.

The new refinery gives Reading Tube Corporation a vertical integration to match its horizontal diversification. In the past year or more, reading has branched out from copper and brass tubing into other related fields. Through its Reddi-fin subsidiary, it now manufactures integral finned copper tubing for use in heat exchangers and other applications where the fast transfer of heat is required. Through the Mackenzie Walton Corporation, which Reading acquired in February, 1957, it manufactures precision seamless, non-ferrous tubing used in fine instruments.

Even under the seriously adverse market conditions prevailing in 1957 the company made an entirely satisfactory showing with respect to both sales and earnings. Consequently, the advantages accruing from its substantial expansion of the past year or more should find clear reflection in operating results for 1958.

H. H. LUNING

President, International Packers Limited

The business and operations of International Packers are conducted to a large extent outside the area of the United States, so that our observations necessarily are affected by international conditions.

H. H. Luning

It is our opinion that 1958 will continue to see a good demand for meat products, as they are consumed in the various countries of the world. A slightly smaller supply of cattle for slaughter in the U. S. A. will probably reduce the supplies that have been exported from here under Public Law 480, thus making a better market for the production of countries having exportable surpluses.

It is generally felt that there will be a slightly larger supply of pork available in 1958, with lesser quantities of beef and sheep and lambs.

Refrigerated shipping is somewhat more available when compared with the situation in 1957, and this should facilitate distribution of supplies to all points.

In many of the countries in which we operate, internal inflation still continues, with consequent demands for wage increases, which in turn tend to reduce the return to the producer. In most areas, however, the producers still have an opportunity of improving their pasture management to obtain greater production from the same acreage.

All in all, no material change is expected in the international meat trade in 1958.

C. CHARLES MARRAN

President, Spencer Shoe Corporation

In my opinion, shoe production for the year 1958 will exceed 1957's all-time record of 593 million pairs. Official government statistics for shoe production in the 11 months of 1957, through November, put output at 549,077,000 pairs. Tanners' Council of America advises that after checking with shoe manufacturers, output in December would be no lower than 43 million pair. This shoe production was achieved in spite of the fact that in the last quarter of 1957, there was a general slowdown in shoe sales.

The effects of a depressed consumer psychology and some rise in unemployment put a ceiling on retail shoe sales in the last quarter of 1957, I do not believe that this will continue in the first half of 1958 for the following reasons:

(1) The extremely low price of a pair of shoes makes many purchases possible whether consumer is employed or not.

(2) Less purchasing of hard goods will benefit shoe industry.

(3) Shoes are important as a necessity of life. Therefore, growth can be expected to parallel the increase in population which is rising at a rapid rate.

(4) Shoes are important psychologically for general good personal appearance, plus giving a sense of security and well-being.

(5) Certain trends in the shoe industry tend to increase consumption, emphasis particularly in women's shoes is more on style than ever before, leading women to purchase more shoes per year. In 1920 the average woman purchased three pairs of shoes, while in 1956 she bought in excess of 4½ pairs. This trend has not materialized in men's shoes, but efforts are being made to increase male style-consciousness, not only with the seasons, but also with the occasion for which they are to be worn. (At a recent Business Interchange Meeting at which 30 were present, I donated a pair of our men's special occasion shoes as a prize, and believe it or not, I left the meeting with an order for 18 pair.) Many of the men had seen the shoe advertised but didn't know where they fitted in their wardrobe.

(6) Last but not least, the year 1957 saw the formation of "The National Shoe Institute" in which every major group in the shoe industry is represented by four associations. These four associations are, The National Association of Shoe Chain Stores, The New England Shoe and Leather Association, The National Shoe Manufacturers Association, and The National Shoe Retailers Association. The object of the National Shoe Institute will be to gain proper stature and recognition for the entire shoe industry and provide consumers with information they are seeking.

It is for the above mentioned reasons that the outlook in 1958 for the shoe industry is better than ever before. At the risk of sticking my neck out, if every member of our industry aggressively promotes the sale of shoes in 1958, we should sell 660 million pair.

FRED MAYTAG, II

The Maytag Company

Nineteen fifty-eight promises to be a year of challenge to the sellers of home laundry equipment. We are no longer in the seller's market which has existed since World War II. Productive capacity now, at least temporarily, exceeds demand.

Fred Maytag II

This applies to some extent to all home laundry equipment, but particularly to washing machines. Their sales volume has leveled off as a result of (1) fewer families being formed; (2) longer lasting machines, and (3) increased market saturation. Therefore, sales are expected to show greater sensitivity to economic conditions and consumer income. Thus, the prospect for washer sales in 1958 is only "fair."

The prospect for dryers is somewhat better than for washers; however, some adjustment in production volume will be required. Combination washer-dryer sales for 1958 should be considerably better than 1957. This product is gaining in acceptance by consumers and is receiving increased emphasis by manufacturers. In spite of rapid gains which are expected, the volume of combination washer-dryers is still a very small fraction of the market.

The first half of 1958 should see a continued attempt by manufacturers to adjust manufacturing volume and inventory to a lower sales rate. The second half is expected to show a modest upturn, barring some presently unforeseen change in economic conditions.

THOMAS F. McCARTHY

President, Austin, Nichols & Co., Inc.

According to all indications, the total volume of the alcoholic beverage industry for 1957 was very close to the sales for 1956. It would probably have been a few percent higher, excepting that the business showed some decline for the months of October and November.

Thomas F. McCarthy

Inasmuch as the sales of wines and spirits are closely identified with the general prosperity of the country, the outlook for 1958 is predicated on business in general. Economists seem to be more or less in agreement in predicting a continuation of the present slight downward trend for the first portion of the year. Some predict an upsurge after that. There is no unanimous agreement on this, however. Whatever the general trend, the industry's sales will probably parallel it.

The launching of Russia's Sputnik and our own government's new drive for increased activity along the lines of scientific research and education to bring our "outer space" striking power up to the level of what the Communists are supposed to have, obviously means the abandonment of any economy program for the Defense Department.

This, in turn, continues to inhibit the possibility of Congress reducing the present unrealistic $10.50 per gallon tax on liquor to an amount less likely to encourage bootlegging. A responsible group in the industry maintains that a third of all the whiskey sold last year was made by bootleggers. Another estimate is as low as 20%. No matter what the figure is, the amount is most substantial.

Thus, the bootlegger continues to plague the industry. Until his operations are made less profitable by a more realistic tax rate, which should divert this business to tax paid channels and thus contribute to the Treasury, or until there is a more nearly perfect and thorough system of enforcement, the industry can expect no improvement on this point.

Last year, distilled spirits contributed $2 billion in taxes to the Treasury. Assuming that the bootlegger accounts for 25% of total liquor sales, he is cheating the government, and thus the taxpayer, out of $500,000,000 in a single year!

It is difficult to understand why the Federal Government has not yet seen the logic of investing another $5,000,000 to strengthen enforcement in order to capture some portion of this tremendous loss in revenue.

This relatively small investment in better enforcement could certainly bring many millions of dollars to the Treasury, perhaps as much as $250,000,000.

From all indications, the conumer trends established over the past few years will continue. Straight whiskies are still a long way from overtaking the spirit blends, just as vodka has not overtaken gin, by the consumption of straights and vodka, especially the latter, continues to take a greater share of the total market. Similarly, the indications are that Scotch will continue to increase slighly this year. The market appears capable of absorbing the full quantities of name brands shipped from the other side, and some labels are unable to meet their demand.

1957 saw a substantial advance in the sales of Cognac and it is fair to assume that this trend will continue for the new year. Imported Champagne, on the other hand, because less will be available due to two successive short crops, will probably drop in sales although the demand is expected to hold.

If the economists are right, and barring any inter-

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national catastrophe, 1958 should be at least as good a year for the wine and spirits industry as 1957.

W. B. McMILLAN

President, Hussmann Refrigerator Company

1957 was a good year in the food store equipment field, with volume sustained at close to peak levels. While the industry generally showed somewhat lower profits than the peak year of 1956, the result was, nevertheless, reasonably satisfactory.


W. B. McMillan

The sustained volume was due to the longer-range plans of the large national chains carrying through the year expansion and replacements at a very high level; in most instances, the financing necessary for such programs having been arranged in advance at rates substantially lower than those obtainable during 1957.

Regional and local chains and also the very important group of members of the voluntary organizations as well as independent operators, showed a marked decline in the number of large store openings and major remodelings. This was brought about by two primary factors:

(1) Some decline in the amount of residential building, tending to reduce population shifts requiring new stores, and

(2) By unwillingness to accept the increased cost of money or cost of rent brought about by the upward adjustment in money costs.

This situation was further accentuated by some shortage in second mortgage money normally used in connection with new commercial building construction. During the fourth quarter, the smaller chains and independent operators stepped up their programs and made a relatively better comparison with 1956 than at any time during the balance of the year. The realization that it is not likely there will be a return to the low interest rates prevailing during the last 20 years together with some loosening of the supply of funds was, in my opinion, responsible for this increase in their activity.

The reduction in over-all demand during 1957 was healthy, as it made it necessary for manufacturers to reappraise all items of production and distribution costs and to somewhat lower margins of profit in absorption of increases in labor and material costs. We believe such periods of reappraisal and adjustment are healthy and necessary in the economy and that long periods of constant upswing tend to lessen productivity of employees and encourage unnecessary and uneconomic expenditures and unwarranted increases in overhead. A decline in business or profits can and should mean the elimination of excesses in costs, both in manufacture and in distribution.

We are looking forward to 1958 with confidence. We believe the opportunities will be great for those companies who have prepared themselves to meet the challenge of more competitive business and who are financially able to seek a larger percentage of the available business. We at Hussmann believe that 1958 will be a better year for us than 1957, even though it appears that at least the first half of 1958 will not be as good as the first half of 1957 for American business as a whole.

CRANDALL MELVIN

President, The Merchants National Bank & Trust Co., Syracuse, N. Y.

There are many ways of trying to forecast the level of future business activity. Unfortunately none of them is 100% or even 99 44/100% reliable. However, one straw in the wind may be gleaned from the current behavior of the "Statistical Indicators of Cyclical Revivals and Recessions" developed by the National Bureau of Economic Research of New York City.


Crandall Melvin

It was twenty years ago, in December 1937, that this agency took a look at which statistical series were the most reliable at indicating the approaching end of a business recession. Since that time much more has been learned from continual study. In 1950 Dr. Geoffrey H. Moore of the National Bureau of Economic Research published a book in which he listed eight individual indicators, changes in which tend to precede changes in the general level of business activity. Of course, there is always the interpretation of what the current changes in each indicator is telling us. They are somewhat like a barometer in that they have to be interpreted. Others will undoubtedly differ in their interpretation but it appears to me that at present only one of these eight indicators could be called Favorable. Two more indicators might be classified as Neutral-Favorable. Two others could not be construed as Neutral. At least three of the eight indicators could be construed as Unfavorable, (Industrial Common Stock Prices, New Orders Durable Industrial Goods, and Average Hours Worked per Week in Manufacturing).

For what it is worth, therefore, this approach to forecasting business activity would tell us today that the decline in business activity is more apt to continue in the months ahead than it is to reverse its current downward trend.

This conclusion is concurred in by three recent polls. At the University of Michigan's fifth annual conference on the economic outlook, held in November, 68% of the economists polled expected the current recession to continue well into 1958. Likewise J. A. Livingston's annual poll of economists taken in December showed 80% of them expected business to be down further by June 1958. J. A. Livingston also reported that at the late December meeting of the American Economic Association the votes were 5 to 2 that "Another Major Business Contraction is Likely."

That business has declined is still not believed by some. Three items alone will be mentioned to dispel this view. First, the Federal Reserve Board's Index of Industrial Production in November 1957 (latest figure available) was down to 139 compared to 147 one year earlier and compared to a level of 145 in August 1957. A second and important item has been the decline in Expenditures for New Plant and Equipment. The first quarter of 1958 will be down about $2 billion on a seasonably adjusted annual rate from the last quarter of 1957. ($35.52 billion compared to $37.47 billion). A third factor has been the increase in unemployment in the latest data (November 1957) to 5.1% of the civilian labor force on a seasonably adjusted basis. This compares with 4.2% six months earlier and 3.9% in November 1956. Unemployment in November 1957 was 3,188,000 persons.

But will the decline continue and become a real old fashioned depression? No, it won't for at least three reasons. First, is the action that may be expected from the Government's monetary and fiscal policies. The Federal Reserve Bank of Philadelphia wrote an interesting and enlightening booklet entitled "Money on Good Behavior." This study portrayed the steps which were taken, and with such good results, to arrest the business decline of 1953-54. Somewhat similar actions with somewhat similar results may be expected in 1958. In the second place, all studies show that consumer expenditures will remain high and this will be a powerful force resisting a real recession. In the third place, Government expenditures, both national and local, will undoubtedly rise. They to will be a strong anti-recession factor as new schools, highways and defense items offset the declines in other areas. In short, business will continue to decline, unemployment will mount still further, but no old-fashioned depression will follow. Business may very well decline for the first nine months of the year and then have a pickup in industrial production during the last quarter of the year.

ELLSWORTH MOSER

President, The United States National Bank of Omaha, Omaha, Nebraska

Two years of choking drought were broken in Nebraska during 1957. A wet blanket of snow covered the state in late March . . . then rains followed throughout the spring and summer. The coming of moisture did not have an immediate affect on the income of farmers and ranchers . . . but the psychological impact became apparent in the state's economy. The pick up in business activity reflected the optimism.


Ellsworth Moser

The dry years hurt . . . total net farm income fell 50% from 1954 to 1956 . . . dropping farm income down to 11% of the state's total personal income. In more normal years it accounts for about 30%. Only by a continuing growth in business and industry did Nebraska continue to show an increase in total income each year. But as a result of the change from drought to plentiful moisture, Nebraska is now the bright-spot in the national farm picture.

The state's total crop output in 1957 was the largest on record . . . established with more than 1.5 million acres withdrawn from production in the Soil Bank. All-time record-high yields per acre were responsible for the new production record. Total value of the 1957 crop reached 653 million dollars . . . 43% above 1956 and the biggest gain in crop value recorded in any state. It was Nebraska's best dollar figure since 1953. With the vast increase in crop production, total net farm income for 1957 showed a substantial gain over the previous two years.

Business responded by registering gains for practically all economic indicators. The increases in retail, wholesale, and manufactured values not only wiped out the losses of 1956, but surpassed even the previous record. Although home building was down, the slack was more than taken up by commercial expansion. The increase chalked up by bank debits reflected the general improvement in business.

Full impact from last year's record crop has not been felt in business channels. The late corn and sorghum harvest delayed the anticipated increase in cash receipts from the marketing of farm crops . . . bringing a delay in the usual end-of-the-year upturn in deposits in country banks. Thus, some of the gain which normally would be expected to show up in 1957 from the bumper crop will be carried over into 1958.

The effect from livestock production will be more predominant in future returns. The drought brought cuts in breeding-stock inventories and livestock feeding operations. 1957 was marked by a drop in the number of livestock processed in Omaha . . . also by a dip in livestock market receipts. The year's production of record feed supplies was accompanied by a changing livestock picture . . . breeding-stock was retained to rebuild depleted herds and more livestock was placed on feed . . . the resulting effect will not show up until 1958.

Nebraska, its entire economy intertwined with agriculture, received a lift back to growing prosperity from the 1957 moisture. Last year's big harvest will provide an important share in the coming year's purchasing power. And also, farmers and ranchers can be expected to market more in 1958 . . . and make more money than they did the past year if price relationships are sustained.

The major concern over how Nebraska will do in 1958 centers around what will happen in the national picture. Certainly it cannot leave our state untouched. But in whatever direction the nation's economy moves, Nebraska will make a better showing than the average for the country because of its greatly improved agricultural picture. Thus, for at least the first half of 1958, Nebraska should look good by any way its economy is compared to any other state.

H. V. McNAMARA

President, National Tea Company

We at National Tea are optimistic in our appraisal of the business outlook for the coming year, and we believe that those in other lines of business, even though less essential than food, can likewise look ahead with optimism, if they will think and act accordingly, and stop looking for the now famous recession, that's always "just around the corner."


H. V. McNamara

The calendar need not change business conditions — January and February 1958 need not be different than the same months of 1957. Dates don't change business conditions, but outdated, negative thinking can be dangerous to our continued progress.

This is the time for positive thinking, for calm confidence, for the continued prosperity and growth of our country. The biggest threat to our continued progress is the danger that loose talk and conservative comment by recognized authorities in and out of business can create a depression image, and stop us in our tracks by a natural tendency to look for a logical reason to tighten up, when none exists.

There is no place for complacency on the horizon for 1958, but there is plenty of room for confidence, if business and government can be more considerate of each other's problems; the vital problems of taxes, money controls, interest rates, labor and management negotiations, foreign trade and other matters of mutual interest, which affect the destiny of our national economy with its natural reflection on the business climate.

The food industry, and particularly the super market retailing phase of the industry, will grow again in 1958. Greater personal income, increased population, war babies growing to maturity and adulthood, intense competition for the consumer's food dollar, plus a general tendency to upgrade the mode of living through better foods for better eating, will assure the continued growth of the nation's retail food business in 1958.

Retail food sales for 1956 totaled $47 billion — we estimate 1957 at about $55 billion, and 1958 should bring the nation's food bill close to $60 billion, if the trend of the past decade continues.

In anticipation of the continued growth of the industry, and continuing our planned expansion program, we at National will increase our facilities from our present 880 stores to approximately 950 stores by the end of 1958. Our volume for 1957 will show an increase of about 10% over the previous year, and we anticipate an equal amount of increase in sales for 1958. Earnings in 1957 increased in relation to our sales, and we look forward to continued improvement in net profits for the year ahead, commensurate with our increase in sales.

Everywhere we look in our business, things are looking up, for our industry and for our company. We are looking up to 1958 for another record year, and, while we don't expect it to be easy, we do expect it to be there, with great possibilities for those who want to work hard for it—and we intend to do just that!

CARL R. MEGOWEN

President, Owens-Illinois Glass Company

An all-time record of more than 20 billion new glass bottles and jars—worth nearly $950 million—were made in the United States during 1957. Actual use is estimated at more than 1,600 per family.


Carl R. Megowen

If the American economy levels off "to catch its breath" in 1958, as has been predicted, glass container shipments by domestic producers should just about hold the 1957 level.

Final figures for 1957 will probably show that domestic shipments would total 141 million gross, or a 2½% increase over the 137.5 million gross shipped in 1956. Experts usually estimate that actual use of glass containers is four times the number of units shipped. On this basis, American consumers used 81 billion new bottles and jars in 1957 — reflecting multiple use of dairy, beverage and beer containers.

This usage should hold up for 1958. The industry's normal dynamic growth pattern will tend to counter any slackening in general business activity.

As Smith L. Rairdon, our Vice-President and Director of Marketing, has observed, glass container volume has doubled every 15 years. New ways of improving glass containers is one of the reasons for the continuing growth.

The increasing demand by the American consumer for convenience is the underlying cause of the continuing growth and fierce competition in the whole pack-

aging field. As a packaging material, glass dates back some 5,000 years, and we are constantly forced by consumer preference to find new ways to increase its utility.

For instance, 1957 saw wider use of king-sized bottles and jars for such household staples as catsup and applesauce. This trend toward larger packages will be even stronger in 1958.

A major advantage of glass in meeting convenience-demand is its flexibility. There were last year, and will be in 1958, constant changes involving many components of a glass container.

This past year has seen a much wider use of dispensing fitments, usually made of polyethelene, for bottles and jars used for packaging condiments, spices and similar items. With this development there has been a shift of spices into cylinder-type bottles with dispensing fitments. As an example, one company now packs 72 different spices in glass.

Other trends which we believe will continue heavily in 1958 will be the increasing use of king-sized and non-returnable bottles in the beverage industry; packaging by the drug industry of such items as vitamins in apothecary-type jars that can be kept on the table, and the increased use of glass containers for instant food products.

The container industry is one of the most competitive in the United States, with innumerable companies vying for the billions of dollars spent annually for various types of container packages.

In the glass container group alone there are at least 37 companies competing for the nearly $950 million the food, drug, beverage and chemical industries spend annually for glass packages. Beginning with Michael Owens' invention of the first automatic bottle maker shortly after the turn of the century, companies such as ours have grown largely through the development of new processes, new methods and new uses for the products we make.

The 20-plus billion glass containers produced in 1957 should more than double in the next 18 years. On the basis of past trends, by 1975 glass companies will be making at least 46 billion containers for U. S. industry and business.

We believe that a major part of 1975's containers will be produced by processes and methods not in use today.

SAMUEL B. MOSHER

President, Signal Oil and Gas Company

The Petroleum Industry is entering the year 1958 with considerably improved prospects for a better balance of its inventory problems and a modest pickup in consumer demand. Unlike a great many forecasts today for other industries, the Petroleum Industry apparently can see only a continuing high level of capital expenditures in the coming years. This, of course, is reflected by activity throughout the industry and as capital expenditures outrun the traditionally high percentage of industry - generated funds, outside sources will be called upon. It is hard to see how drilling activity can slacken in face of the constant demand for discovery of new reserves. However, this will call for the most exacting evaluation by the industry in light of the sharply rising costs for finding new crude oil reserves. These rising costs are the reason, with the exception of local adjustments, the price structure for crude should remain firm.

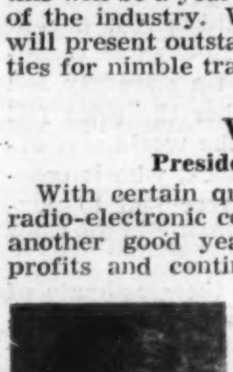

Samuel B. Mosher

Oil companies enter 1958 in the full knowledge that this will be a year of extreme competition in all branches of the industry. World markets for crude and products will present outstanding challenges as well as opportunities for nimble traders.

VICTOR MUCHER

President, Clarostat Mfg. Co., Inc.

With certain qualifications, I feel confident that our radio-electronic components industry is embarking upon another good year in terms of volume, employment, profits and continuing progress.


Victor Mucher

Firstly, we must assume that military cutbacks which were considerable in the second half of 1957 and certainly reflected in many electronic balance sheets, are both temporary and spotty. But as often as not in an industry as complex and fluid as electronics, when demand drops in one category it picks up in another. While we have had a marked cutback in planes and corresponding electronic business, the emphasis now shifts to the all-out missile program which means more electronic requirements than ever. Meanwhile, civilian electronics is becoming a fantastic business.

Secondly, the recent falling off in radio-TV set sales due to undeniable living-room saturation and the delay in the full-fledged acceptance of color TV, is compensated for in large degree by the lively demand for transistorized dwarfed radios and again for small and even portable TV models that find a place as "second" and even "third" sets about home and out in the field. And all the while there is a spectacular growth in hi-fi equipment, tape recorders, quality phonographs, and countless non-entertainment electronic gadgets that contribute to the better life.

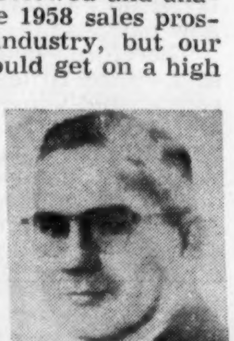
Thirdly, our industry here and there will probably do better profit-wise by still another shift in emphasis. I refer to the supplying of superlative-quality components in quantities, for the critical requirements of military and civilian electronics. My own company, pioneering and specializing in resistors, controls and resistance devices since 1921, has taken a realistic and daring step in our partial shift from strictly mass-produced products to an additional precision-production setup in order to meet the growing demands for what has heretofore been considered laboratory-grade material.

Clarostat has retained its mass-production facilities, to be sure, for turning out controls and resistors such as used in radio-TV sets for initial equipment and replacement alike. That has always been the backbone of our business, and we have many customers of long standing to whom we feel morally obligated to maintain our mass-production facilities. But we now have a second string to our bow—the Precision Product Division—manned by exceptional personnel imbued with a real sense of craftsmanship, equipped with the finest equipment and test instruments, working with critical jigs and fixtures, and with quality-control inspection from start to finish—all aimed at highest standards rather than lowest costs. With virtually a plant within a plant, all under the one roof, we are producing for both cost-minded and quality-minded requirements. Thousands upon thousands of radio-TV controls, for instance, are turned out a day at a unit price of well under a quarter, by our mass-production department. In the other division of our plant we produce precision components often priced at several dollars each, and even into the hundreds of dollars. It is this second activity, or precision products, that will be reflected in our 1958 profits.

G. E. MUMA

President, Divco Truck Division, Divco-Wayne Corp.

The Automotive Industry has been reviewed and analyzed in many ways with respect to the 1958 sales prospects. We are a small part of this industry, but our forecasting is just as involved. If we could get on a high plateau and look down into 1958, it would be rather simple to build a road map for operations. Since this is not possible, we must do more "guesstimating" than usual in order to plan for the next 12 months.


G. E. Muma

In making projections under the conditions that prevail at this time, and what we can see in the clouded future, we find there are some things in our favor. For example, material delivery lead time is reduced—some items can be obtained off suppliers' shelves and other items can now be delivered in 30 days—in the past it took as much as six months to effect dependable deliveries. Therefore, our inventories can be reduced while at the same time we can make prompt deliveries of finished products. In the final analysis a more frequent turnover of our inventories can be accomplished.

While we may call the present sag in sales curves a "readjustment period" it may well be considered a "new normal." In either opinion it demands that we must produce the best products we know how, sell more effectively, and give flawless service.

The consumer is also going through an adjustment period. He has for a number of years been confronted with a seller's market, he now finds that a buyer's market prevails and too often is buying products on price basis only when he should buy products that will serve him better with a lower overall cost.

From this point of observation it looks like 1958 may be an uneasy and tough year, but these hurdles can be lowered by courage, alert and aggressive effort on the part of everyone. We believe our company will do as well in 1958 as in 1957, and with any favorable changes, such as, lower interest rates, and other financial encouragement to the consumers, the volume could well be above the 1957 volume.

H. J. MUESSEN

President and Chairman of the Board, Piel Bros.

The risks inherent in predicting any business outlook a year in advance are normally great enough and frequently reflect a high degree of individual optimism, but today such forecasting is also dependent upon the chameleon-like characteristics of world events and consequent government spending. However barring any inflationary influences due to international "situations," only a "mild" adjustment will be necessary in '58 before our economic advance can be continued. It is realistic to expect some weak spots but the prospects for continued high personal income and the effects of Federal spending in the latter part of the year should combine to make 1958 one of our better peace-time years.

The brewing industry will find the trend toward fewer breweries continuing but in spite of a numerical shrinkage, competition will be keener and more aggressive.

Although the economy of the beer business depends to a greater degree upon the general economy, one factor creating a favorable sales picture is the large number of people coming of age, a trend that won't reach its peak until the early 1960's. This will help immeasurably in counteracting the continued drop in per capita consumption which has been declining from 15.9 gallons in 1954 to an expected 15.4 for 1957 which is based on an estimated 173,000,000 population. An added encouragement is the increase in leisure time of the American wage earner and its attendant provision for an atmosphere of relaxation and refreshment common to outdoor activities.

The strong growth trend in population figures is a challenge for manufacturers to meet the demand incurred by their needs and should prove a bulwark against an extended decline. An expected mild dip in both the Gross National Product and the Federal Reserve index of industrial production is indicated but it should be of short duration. Recovery, and in the case of the Gross National Product, an upsurge is indicated in the last half of 1958.

Continuing high taxes will have their effect on corporate dollar sales and earnings in the beer industry. The $9 a barrel tax coupled with an expected modest rise in costs will put a squeeze on profit margins and have a tendency to act as a deterrent on expansion plans, especially those of the smaller breweries. This should be tempered by a softening of labor demands for 1958, which logically should act as a brake on spiralling wage and price increases. Maintenance of a high level of consumer disposable income should also help hold the economy at a relatively stable level.

In that section of northeastern United States which is our marketing area I expect a modest increase in sales. This is due in large part to the very aggressive marketing approach used by all brewers in this very competitive market. Unique approaches such as the now famous "Bert & Harry Piel" soft sell advertising will continue to be a very dynamic reason for sales optimism.

One of our "assets" most overlooked is the energies, abilities and ingenuity of the American people. With courage and persistence they have developed a country rich in natural resorces and blessed with an abundance of potential. In spite of recent developments, no country in history has paralleled our achievements and the likelihood of that occurence in the near future is nil. It's time we adjusted to the "burden" of a high-level prosperity and stopped reading fearful meanings into every slight shift of the country's economy. We are coming into a period of remarkable achievement. We can look forward to it with confidence.

GLENN E. NIELSON

President, Husky Oil Company

The year 1958 may be a critical one for the domestic oil economy. During 1957 the domestic demand did not increase the five to seven percent that was anticipated. The federal highway construction program has not yet created much additional demand for asphalt, and the full impact may not be felt before 1960.


Glenn E. Nielson

In addition, the importation of foreign crudes was and still is a threat to companies operating solely within the United States. President Eisenhower's interest has been encouraging, but even at the present restricted import levels, the Texas allowable for January is only twelve producing days. This is typical of the demand for crude oil production throughout the United States. The extent and effectiveness of the oil import restriction program will have an important bearing upon the prosperity of domestic producers in 1958.

The major problem facing small oil companies is the tight money condition that developed during 1957. The fate of many small oil companies will be decided in 1958 by the availability or lack of credit. The very nature of the oil business requires increasing amounts of both borrowed and equity capital for growth and expansion. Naturally, the large, well established companies have more credit privileges, and the smaller companies feel the pinch of credit restrictions sooner and much more severely. Unless there is a marked change in credit policy in 1958, the oil industry may experience an unprecedented wave of mergers. Small, independent operators may be forced to sell, and the result would be increasing concentration of the industry in larger, stronger companies.

In my opinion, however, internal problems of the petroleum industry and of the nation itself fade into insignificance before the present threat of Russian supremacy. We have been deceived and misled about Soviet intentions and abilities. Instead of awakening to the dangers of delay in coming to grips with Russia, we have allowed Soviet peace propaganda to lull us into a false sense of security.

We have lost critical ground within the past year in our scientific projects. It may be only a very short time before Russia has fully mastered the satellite as a military weapon, from which she can release H-bombs on any part of the world. Once Russia has attained this mastery, she will have no mercy.

The future of the petroleum industry, of private industry generally and of the free world depends upon how we meet this problem beginning right now—in 1958. The Western Powers must give the highest priority to scientific developments to counteract Russia's advances. We must work toward this end with every resource at our command, or all industry may face problems far greater than imported crude, insufficient demand, and tight money markets.

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DONALD W. NYROP

President, Northwest Airlines, Inc.

The year 1958 will be a crucial one for the scheduled airlines of the nation, and the future progress of air tranpsportation may well hinge on the outcome of the general airline passenger fare investigation, now pending before the Civil Areonautics Board.

Donald W. Nyrop

During 1957, the nation's airlines continued their steady progress as the major medium of long-haul transportation. The domestic trunk lines developed an estimated total revenue of $1,433,000,000—a gain of 13.5% over the previous year. Revenue passenger miles climbed 14.2%, to a total of more than 24,700,000,000.

Despite these substantial gains in revenue, however, industry net profits were cut in half. The total net profit of domestic trunk lines probably will not exceed $25,000,000, as compared with nearly $58,000,000 in 1956. Profits in 1957 probably will be less than half those of 1952, although revenue passenger miles and gross revenues have doubled since that time.

Even if the airlines were not confronted with the necessity of making heavy financial commitments for jet equipment, it is clear that some relief must be granted in the form of higher fares. With the jet age looming just around the corner, this relief becomes even more essential.

I am confident that a fare increase will be granted, once the Civil Aeronautics Board has completed its investigation. The critical question is how soon that investigation will be completed, and whether the increase will be granted in time to avert a financial crisis in many of the nation's airlines.

Northwest Airlines is laying its plans for 1958 on the assumption that the economy will remain reasonably stable, and that air travel will continue to increase. We are estimating that Northwest revenues in 1958 will exceed 1957 by approximately 17%.

During 1957, for the first time in its history, Northwest Airlines carried more than 1,500,000 passengers—1,570,000 to be exact. Revenue passenger miles totaled 1,200,000,000, and gross revenues are expected to exceed $82,700,000. This is a revenue gain of approximately $6,000,000 over 1956.

With the delivery of additional airplanes from Northwest's $58,000,000 order for 24 new DC-6B's and DC-7C's, Northwest anticipates accelerated progress during 1958.

ROBERT A. OLEN

President, Four Wheel Drive Auto Company

Sales of all-wheel-drive trucks in 1958 are likely to rise above the 1957 level, we believe, because of the increasing need, in specialized commercial and military operations including stepped-up missile activities, for four-, six- and eight-wheel-drive vehicles that are custom-designed to particular tasks.

Robert A. Olen

As a leading manufacturer of heavy-duty all-wheel-drive equipment, we expect our sales to increase 20% to more than $25 million in 1958. FWD sales rose 16% to $21,187,804 in the 1957 fiscal year and 42% to $18,272,996 in 1956.

All-wheel-drive equipment is particularly essential to the ground-handling systems of some of the government's missiles. In the past two years, FWD has designed and built specialized heavy-duty trucks, including the famed FWD eight-wheel-drive Teracruzer, for such military applications. With recent accelerations in missile activities, FWD construction of ground-handling equipment is likely to continue strong.

At the same time, however, commercial trucks introduced by FWD in the past year, in the ready-mix concrete and crane carrier fields, for instance, are meeting with outstanding acceptance and fill a definite need in the construction fields.

Export, oilfield, and logging vehicle markets are below normal but a settling of the Near East situation could revive the export phase of the picture. Continued good level of sales is expected in fire fighting apparatus. In the transport field, FWD is continuing to expand its over-the-road tractor lines with trucks aimed at the needs of particular sections of the country and this should provide an even or improved sales level in this market.

With a full range of six-wheel-drive trucks for ready-mix concrete service, FWD looks for a continuing rise in its sales to this phase of the construction market. And with anticipated pickup in government and private roadbuilding programs, commercial crane carrier needs may rise, too. FWD recently has entered this field with a complete line of rubber-tired chassis for crane manufacturers.

New product development, in the form of a four-wheel-drive pole-hole digger and polesetter of unusual design, offers an area of increased sales—along with other all-wheel-drive equipment—in the utilities and railroad line maintenance and construction fields.

So FWD looks forward to a good 1958 buoyed by the markets, commercial and military, in which it has recently introduced outstanding new all-wheel-drive equipment. Too, FWD in the past year has completed enlargements of fabricating, finishing, and warehousing facilities in building toward increasing output of this custom-engineered equipment. It is in the process of an enlarged, revitalized dealer organization program in which many specialized market dealers are being added to the company's field sales group.

Thus, FWD is better able to meet the individual requirements of each market, whether it be fire fighting, ready-mix, utility, transport, or any other truck areas. This should have a beneficial effect on commercial sales in 1958 to augment the government's missile program and other needs.

MARNE OBERNAUER

President, Great Western Producers, Inc.

Regardless of the fact that our company has just completed the most successful fall season and holiday business in its history, there are many compelling reasons for us to face the coming year with the greatest confidence and expectations for further growth. We are firm believers that Americans sooner or later select and then continue to repurchase better quality provided that the price, although some higher, is still within reason by relation to value. This makes it absolutely necessary for us to be ever vigilant in maintaining strictest quality controls because we are convinced that quality is our biggest selling asset.

Marne Obernauer

We are not so much concerned with whether more or less champagne and wine will be purchased in America during the coming year because that is something over which we have little control. Regardless of whether the general business condition in our industry is up or down, we are keenly interested in winning new patronage by way of offering better quality.

Therefore, our key for 1958 is in keeping with the message on the little cards hung everywhere throughout our century old winery at Hammondsport, N. Y., reading one world only—"QUALITY." We feel that so long as we can "build better mouse traps" or, in our case, produce the very best champagne and wines possible, and maintain our merchandising and distribution efforts, vibrant America will do the rest.

In short, we look forward to 1958 with the greatest confidence and anticipation.

FRED A. OSSANNA

Director, Twin City Rapid Transit Company

The outlook for publicly owned or privately owned mass transportation companies in the United States for 1958 will depend largely upon the courage and imagination of the executives in this field, as well as upon a broader outlook of public officials concerned with the problem. Public transit is not merely a responsibility for furunishing so many vehicles to carry a routine cargo of passengers. It goes far and beyond that. It is tied up intimately with the growth and integrity of the community, especially the downtown area. Whether we admit it or not, every member of the community and every businessman is seriously affected by the condition of public transit. It has to do with the broad outlook of suburban and urban expansion. It must be planned like every other phase of city expansion. If it is permitted to run helter-skelter, the growth of the community and the suburban areas will not develop in the most efficient manner.

This is not only a job for transit executives. It is a serious problem to be grappled with by city officials, especially experienced and expert planning commissions. It will involve shortly a subsidy to be borne by every taxpayer, because of the fact that adequate public transportation to suburban areas should be maintained even if operated at a loss. To insure this kind of development and to maintain a strong central city, it is to the interest of everyone in the community to see that transit is maintained at a high level with adequate service to all of its areas.

Until recently not enough attention has been paid by the various public officials and civic organizations to the vital problem of traffic coordination. It takes courage and imagination to tackle this problem. If we are to maintain solid property valuations and tax structures, we must be ready and unafraid to take drastic action. More one-way streets with no turns in the important areas in the loop and absolutely no parking anywhere within the congested area of the heart of the city are a must if downtown is to survive. The dreadful traffic jams of today are already paralyzing our central business areas. Add 10 million or more automobiles during the next 10 years and you can prepare for total confusion. The solution of these problems calls for the best brains in the community and experienced experts who can advise the city fathers. It not only takes planning but it takes courage for public officials to face the public and dare to tell the true facts.

During the last five years, the country as a whole, including public officials and citizens, have learned more about the importance of public transportation than at any time during the past 50 years. This new awareness of absolute dependency of the community on this service will do a great deal to help solve the problem and eventually convince the average citizen that a small sacrifice in the way of a subsidy will pay big dividends to the community.

WESBY R. PARKER

Executive Vice-President, Dr. Pepper Company

The soft drink business is not peculiarly sensitive to economic fluctuations—even when those changes are in a degree that his significant impact on other business segment. Therefore, the exact level of disposable income or gross national product which we can anticipate for 1958 is probably of negligible, if any, import in connection with the soft drink field.

Wesby Reed Parker

The beverage business responds importantly to availability, packaging and promotion. I think 1957 brought improvement industry-wide in all those areas. And I suspect that these improvements will be expanded and accelerated during 1958.

In our judgment we have not even begun to tap the potential of the soft drink business. Per capita consumption of nonalcoholic, carbonated beverages can be doubled if we as an industry make it easy and convenient for the consumer to find our product and if we do the proper job of both media and point of sale advertising as a reminder where it is available.

With this kind of an expandable outlook there is obviously room for each of the individual factors to grow in their own right as the total industry volume expands.

Within this over-all industry climate the Dr. Pepper Company has during 1957 sizably expanded its operating area—franchising new bottlers who are now making Dr. Pepper available to some 15 million additional U. S. consumers. We expect to continue, and if possible accelerate, this territorial expansion and franchising of new plants during 1958.

During 1957 we in our company were handicapped by unfavorable and inclement weather over our basic primary area in the South. It is not probable that this situation will repeat, at least in the same degree.

For 1958, therefore, we anticipate a sizable increase in the volume of business done through our established bottlers as well as further increase which will accrue from newly franchised bottlers and territory.

ANTENOR PATINO

President, Patino Mines & Enterprises Consolidated, Incorporated

During the year 1957 there has been a radical change in the world tin position from an approximate balance between production and consumption to considerable over-supply. At the beginning of the year — with the Suez still closed—the price remained around $1 per lb. and world production was barely sufficient to satisfy a steadily increasing level of consumption. However, it was expected that by the second quarter increased supplies of tin, which had hitherto found their way to the U. S. stockpile via the Texas City smelter, would reach the market, and at their meeting in March the International Tin Council estimated that over the whole year production would exceed consumption by 5,000 to 7,000 tons. At the same meeting the International Tin Council raised the floor price under the Tin Agreement from £640 (80 cents) to £730 (91.25 cents) leaving the ceiling price unchanged at £880 ($1.10). This was generally considered to be a reasonable adjustment in the light of the increases in mining costs which had occurred since the Tin Agreement was originally drafted in 1953.

This action by the Tin Council had only a momentary effect on tin prices, which remained very stable during the whole of the first half of the year. Consumption was running at a higher rate than in 1956 and production had fallen. In the third quarter, however, signs of a trade recession appeared both in the U. S. A. and in Europe and the picture changed even more rapidly in the last three months. Consumers who had bought heavily earlier in the year began to run down their stocks and consequently demand for new supplies of tin suddenly fell away to a very low level. In November the price fell below 90 cents and tin from all over the world was offered to the Manager of the Buffer Stock, who is compelled under the International Tin Agreement to purchase all tin offered to him in order to maintain the floor price of £730 (91.25 cents).

In October the Tin Council revised their estimate of the world surplus to 12,500 tons, including sales by the U. S. S. R. which had been increasing steadily and may total 6,000 tons during the year. Whatever the true figure of the surplus, there is no doubt that excess supplies were reaching the market during November at a very much higher rate. The Manager of the Buffer Stock, who had bought 3,916 tons by the end of June, announced at the end of November that he had then acquired 10,000 tons, which meant that he only had funds available to purchase another 3,000 tons. A second call of £3,650,000 was immediately made from the producing countries who are members of the International Tin Council, and at a meeting on Dec. 4 to 6 the Council imposed restriction of tin exports by producing countries during the three months ending fourteenth of March, 1958, amounting to 28½% of their current production. The Council also authorized the Buffer Stock Manager to sell tin at £781 (97.625 cents) instead of only being permitted to sell when the price reached £830 ($1.375). This was a wise move in view

of the possibility that the drastic restriction of exports during the first quarter of 1958 might lead to a shortage of tin if demand should suddenly improve.

The outlook for tin during 1958 depends primarily on the probable level of business activity in the U. S. A. and to a lesser extent in Europe. It must be admitted that at the present time the evidence points to some degree of recession which may perhaps last during the greater part of 1958. The output of steel in the U. S. A. during the first half of December was only 70% of capacity and tinplate production in both U. S. A. and U. K. is currently running at only two-thirds of capacity. The tinplate trade alone accounts for 40% of the world's consumption of tin.

On the other hand, the steps taken by the International Tin Council should ensure a reasonably steady price in the £730 (91.25 cents) to £800 ($1) range. The limitation of exports will take two to three months to make its full effect felt by reason of the length of the pipeline between many of the producing countries and world markets; but a gradual rise in the price towards £781 (97.625 cents) can be anticipated as exports from producing countries decrease. There is little doubt that the Tin Council has ample powers (a further call of 5,000 tons tin or £3,650,000 for the Buffer Stock can be made if necessary) to support the floor price of £730 (91.25 cents) and ensure a stable price for both producers and consumers.

GEORGE S. PATTERSON

President, The Buckeye Pipe Line Company

While it seems to be the opinion of most economists that the moderate decline in the general level of business will continue in 1958, a slight increase in the demands for petroleum products is forecast for the coming year which should be reflected in pipe line deliveries.

George S. Patterson

The increase of some 3% in domestic demand for 1958, estimated by the Independent Petroleum Association of America, can be expected to affect the activities of The Buckeye Pipe Line Company and other independent carriers.

Competition in every phase of the industry will be more intense and Buckeye is endeavoring to meet this challenge by constantly looking into new areas for expansion of our activities and modernizing our facilities by automation and remote controls. This modernization program within the Buckeye system will continue and, likewise, we expect to complete some new projects during 1958.

CHARLES H. PERCY

President, Bell & Howell Company

When 1958 is over, I believe we'll be able to mark it up as a good year, although business activity will probably be somewhat below the record of 1957.

In order to make it a favorable year, however, business management will have to work harder and exercise greater ingenuity than at any time during the last decade. The year 1958 will prove to be a unique testing ground for democratic free enterprise. It will show up our weaknesses; it will provide an opportunity to demonstrate our flexibility and strength.

Charles H. Percy

I feel the economy is basically sound, despite less optimistic opinions expressed in some quarters.

Some spotty situations will be encountered in 1958. For example, a reduction in the volume of business for the first half of the year as compared with the first six months of 1957 is generally expected. But I feel this downward trend will be reversed during the last half of the year to make it a period that will be generally favorable.

The American people are still seeking a higher standard of living and are willing to spend to achieve their goals in this direction. Temporary lay-offs of employees in some industries early in the year will probably cut the rate of spending for goods and services for several months.

Mid-way during 1958 the effects of the increased government spending for such items as defense and the federal highway program, and the higher level of home building will start to make themselves felt. Then I look for business to start the upward swing that will make 1958 rank with other business years considered favorable. Consumer buying of durable and other goods for the year as a whole should be only slightly below the level of 1957.

I believe the photographic industry should have a good 1958 and I'm optimistic about the results Bell & Howell should achieve during this period. I base part of my prediction on our business over the past year.

Our sales through Dec. 31 exceeded those of 1956 by approximately 10% and easily pushed us considerably past the $50 million mark.

Our climb last year reached a new peak in November, when we achieved the highest sales results—$7.4 million—for any single month in our 50-year history. This was 32% ahead of sales in Nov. 1956.

Our sales should continue to rise, though perhaps less dramatically than during 1957. Although it will undoubtedly become increasingly difficult to turn sales gains into comparable profit gains, at Bell & Howell we are planning to increase both sales and earnings in the coming year.

We base our optimism on our new product development program—new products introduced during 1957 and those scheduled for '58. During 1957 some 30% of our sales were in products introduced during the calendar year.

In summary, we feel that the combination of products creatively engineered, ingeniously produced and intensively marketed should make 1958 another good year for Bell & Howell. However, we expect to work harder than ever before in our peace-time history to achieve this result. It is going to be that kind of a year.

W. A. PATTERSON

President, United Air Lines, Inc.

A good year is in prospect for the air transport industry in terms of continued traffic and revenue growth but until fares begin to reflect some portion of the added costs of doing business further inroads on earnings are inevitable. We foresee industry gains of 6 to 9% in revenue passenger miles and comparable increases in our company operations. Delivery of nine DC-7s and four WC-6Bs will expand our 1958 fleet to 200 planes. Available seat miles totaling 7,558,000,000 last year, will show an increase of 9 to 12%.

Air freighmt volume will move to higher industry levels, with United's freight ton miles rising 11 to 14% over 1957. We expect a moderate increase in mail ton miles, perhaps 4%. Air express, recovering from labor difficulties in the forepart of last year, will rebound by 7 to 9%.

Subdivisions of markets through previous route awards of the Civil Aeronautics Board will continue to be felt in the industry this year. Overall traffic growth of 6 to 9% will not offset the narrowed field at cities which formerly produced adequate returns.

As for industry earnings, the decision of the C.A.B. in the General Passenger Fare Investigation will be crucial. Facts presented to board members show that for more than a decade rising costs have been countered by technological advances and increased efficiency. We have exhausted such measures and the time for a fare adjustment is past due. The decision, we are confident, will be in favor of an industry that can pay its own way and maintain its world leadership.

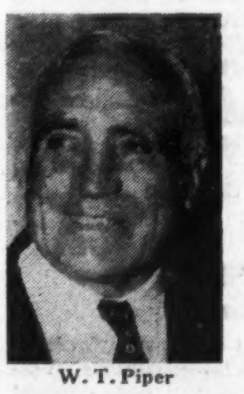
The coming year will take us to the threshold of the jet age. We completed the second stage of our jet equipment program in November with the purchase of 11 medium-range Boeing 720s and 10 more long-range Douglas DC-8s. These 21 planes and a 1955 order for 30 DC-8s brings our total investment for jetliners to $275,000,000. Delivery of the DC-8s will begin in 1959, followed by the first Boeing 720s in 1960.

It is not generally known that improvement of the commercial fleets contributes to national defense. Through the Civil Reserve Air Fleet program the airlines are committed on 48 hours' notice to place more than 300 four-engine planes under operational control of the Military Air Transport Service. Beginning in 1960, an increasing number of jetliners will be allocated to the CRAF program. Significantly, the Air Force has not acquired jet transport planes.

W. T. PIPER

President, Piper Aircraft Corporation

The small airplane industry has had several years of good business with steadily increasing sales and profits. The slowing down of some of the major industries will tend to slow our industry down, but aviation is still an infant which is growing rapidly and these recent developments are expected to offset any slump in general business:



W. T. Piper

(1) In the past few years, the airplanes have been made larger and faster and have more powerful engines and longer range.

(2) Radios and electronic devices have been greatly improved and a large number of omni stations have been built by the Civil Aeronautics Authority in all parts of the United States. By the use of radio and omni, navigation has been greatly simplified so that a pilot can fly for many hours without seeing the ground yet know his exact position.

(3) The dealers in addition to being pilots have become businessmen with substantial resources and are gradually increasing the size and quality of their sales organizations.

(4) Five years ago no light twin engine planes were being made, but today four good ones priced from $35,000 to $75,000 and seating five people or more are being built. These planes have proved to be very popular with contractors, salesmen and others who travel extensively. Today's salaries are so high that corporations cannot afford to have their key men travel by slower forms of transportation. Over 2000 of these planes have been built and this number is increasing rapidly as the public begins to appreciate what fine transportation can be had by the use of these planes.

(5) The tricycle landing gear makes taxiing, take-off and landing so easy even in a crosswind that a single grass strip is quite satisfactory. Automobiles used dirt roads until the traffic warranted hard surfaced roads and in a similar way the single strips present the opportunity to thousands of small communities to have the benefits of air transportation at a low cost. These improvements have greatly increased the utility of the airplane and will undoubtedly result in larger sales and good business in 1958.

JOHN G. POWERS

President, Prentice-Hall, Inc.

United States business as a whole faces the roughest going in 1958 since the recession of 1949. Book and business service publishers will naturally be affected. But there are special factors that make our industry more recession - resistant than most.

John G. Powers

Projections of our Economics Department indicate that the year is to be one of continuing correction and transition. The capital investment and inventory boom of 1955-57 has clearly ended.

It may be replaced by a new type of government - directed boom—shaped to meet the accelerating Soviet challenge to U. S. world leadership in armaments, space satellites, science, education, and foreign economic aid and development. But 1958 will become such a turning point only if we meet the Soviet challenge with the old-fashioned American response of getting on with the job in a hurry. The correction phase we are in will most probably be worse than the 1953-54 and 1948-49 recessions, mainly because backlogs of business and consumer spending today are smaller and less insistent than they were then.

Nonetheless, 1958 will probably end on a moderate upbeat. One reason is the fact that the first and pretty severe part of the recession took place in the last quarter of 1957. That in itself improves prospects for the second part of the new year.

Other factors that will snap business out of its doldrums and probably make the economic curve for 1958 saucer-shaped include:

(1) A rise of at least $2 billion in defense spending.

(2) A continued rise in State and local spending for roads, schools and other public works.

(3) A moderate step-up in housing.

(4) A normal inventory turnabout, developing in the second half of the year.

In this kind of troubled and highly competitive business environment, book and service publishers will have to hustle to beat their 1957 records. But it can be done.

We at Prentce-Hall expect to achieve this goal by concentrating our energies on the "winning" areas. For example, we are shooting for a substantial increase in our educational book sales at the primary, secondary and college levels alike. The growing impact of the Soviet challenge to U. S. education indicates especially good results in the fields of natural science and mathematics.

Harder times call for more study and research aimed at cutting costs and expanding markets. Therefore, we expect sales of our business and technical books and looseleaf services to hold up very well in 1958. Similarly, religious, inspirational and do-it-yourself books also fare nicely in times of trouble and tension.

As in 1957 and previous years, our biggest headache will be the cost-push squeeze on profit margins. Material, labor and transportation charges have been rising faster than our industry has been able to adjust prices. We have had to increase plant productivity and worker efficiency considerably just to stay where we are! 1958 may bring a lull in the inflation spiral, but it would seem to be only a temporary one.

H. C. RAMSEY

Chairman, Worthington Corporation

Our considered judgment is that 1958 will be a "Year of Opportunity" for progressive companies.

Our plans provide for a continuation of research and development programs with expenditures at a somewhat higher level. New authorizations for capital expenditures on plant and equipment will be perhaps 10% below the large sums expended in 1957 but will still be close to double depreciation reserves. The emphasis, however, will be on equipment for cost saving and improved efficiency rather than buildings for expansion.

Hobart C. Ramsey

While new orders were at a reduced level during the last four months of last year, our substantial backlog enabled a continuation of shipments at the rate attained in the first two quarters. Entering the new year as we are with a backlog of approximately $88 million, this same situation will continue for some months.

There are no definite signs as yet toward improvement in the volume of new orders, but proposal activity has stepped up and some of our standard product items look better. We think favorable trends will be first indicated by improved turnover of these smaller standard products.

Larger expenditures of the Federal Government for defense projects; continued activity at State and local levels on water supply, sewage and power projects; large-scale forward looking programs of the public utilities, the petroleum, chemical and petro-chemical industries, and shipbuilding cause us to feel that new orders should begin to show a marked increase beginning not later than in the second quarter of 1958. Furthermore, the long-delayed Federal road-building program should

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begin to produce construction equipment orders early in the year.

It seems to us that we are going through a transition or correction period, which provides an opportunity for consolidation and review of management practices and techniques. In the five years ahead we think the opportunities for growth and progress are tremendous.

MARTIN M. REED

President, Mergenthaler Linotype Company

Although 1957 has been written into history as another record sales year for business in the United States, it is apparent that the more recent pattern has been one of moderate decline in many industries. Therefore, 1958 has begun without the impetus which has characterized the start of the past few years. The printing and publishing industry has participated in this pattern of activity and shares with others the probability of some decline in sales levels during the early months of this year from last year's volumes. It is expected, however, that there will be a reversal of this trend as the year progresses.

Martin M. Reed

The printing and publishing industry reached record levels during 1957, averaging 141 as measured by the Federal Reserve Board's Index. This was a 3.7% improvement over 1956. In 1958 as a whole, a somewhat smaller rate of increase is anticipated.

Gross National Product in 1957 averaged about $435 billion, 4.7% above 1956. During 1958, a further rise is probable but at a lower rate. The growth of the economy during the year as a whole may not match the rates experienced during recent years but this need not be a cause for undue concern. This nation's economic stature has not been achieved in an unbroken upward curve.

The biggest problems of the coming year will be further pressures on profit margins through rising costs and greater competitive activity in all areas. Business' interest in improved products, services and methods will be spurred as more efficient operations are sought. This situation will provide the setting for improvement in sales for individual firms and industries despite some levelling in overall activity.

The longer term, and more important, view of general business as well as the printing and publishing industry remains excellent. Projections of long range basic factors such as population, productivity and income are repeatedly being revised upward.

In summary, 1958 is likely to end as another record sales year for business in general and the printing and publishing industry will, as it has in the past, share in this expected continued success of the U. S. economy.

R. G. RINCLIFFE

President, Philadelphia Electric Company

The nation's investor-owned, business-managed utility companies established new records in power production, sales, and the installation of new generating capacity last year to continue the electric utility industry's remarkable post-war growth.

R. G. Rincliffe

Electricity generated in 1957 throughout the industry totaled 636 billion kilowatt-hours an increase of 5.8% over 1956. The average annual residential use of electricity increased 6.6% to 3164 kilowatt-hours. About 8½ million kilowatts of new generating capacity were added to the nation's power lines, raising total generating capacity to 135 million kilowatts at year-end.

Tremendous progress was made during 1957 on Philadelphia Electric's expansion program on which more than $685 million dollars have been spent since the close of World War II. Total investment in P. E. facilities today is approximately $989 million, more than double the investment at the end of the war.

About two-thirds of our present utility plant has been installed in the past ten years, which means Philadelphia Electric enters the new year ready to meet all demands for service with more efficient facilities than ever before.

An annual peak expenditure of $95 million was made in 1957, which will be exceeded this year when we expect to spend $136 million, or more than $2½ million a week. From 1959 to 1962, inclusive, our expansion program contemplates expenditure of an additional $324 million.

The construction of our new Eddystone electric generating station on the Delaware River near Chester is one of the major projects in this expansion program. This station will house two supercritical pressure turbine-generator units, each having 325,000 kilowatts capacity. The first unit is scheduled for operation in 1959 and the second early in 1960. The construction of this station marks a progressive step in power production through the use of temperatures and pressures never before attainable. Only two-thirds of a pound of coal will be needed to produce a kilowatt-hour of electricity, contrasted with the national average of slightly less than one pound.

Another important addition to P. E.'s generating capacity will be made this year when a new turbine-generator will be placed in service in our Schuylkill station in Philadelphia. This unit, capable of producing 175,000 kilowatts, will more than double the capacity of the station.

The installation of other facilities, such as new electric transmission and distribution lines, substations, and associated equipment, is planned in order to meet the growing service demands of Greater Philadelphia.

The company's gas production and distribution facilities also have been steadily expanded over the years by the continued addition of mains and equipment, including a new production unit and compressor installed last year at the West Conshohocken gas plant. Within the next five years, an estimated 50,000 gas house heaters will be added to the 92,000 already in use by P. E. customers.

A new steam heating plant is about ready for operation at 908 Sansom Street, Philadelphia, to serve center-city customers. The industrial use of steam increased substantially during 1957 as this Company service continued to grow in importance.

Philadelphia Electric has been active in the general field of commercial atomic power and has taken a prominent part in organizing the Power Reactor Development Company, which is now building the Enrico Fermi atomic plant at Lagoona Beach in Michigan. This plant is scheduled to supply 100,000 kilowatts of electrical energy beginning in 1960. Participation in this project, and in other nuclear science activities, provides the Company with needed "know-how" for the time when it will be economically feasible to build and to operate an atomic power plant in the Philadelphia area.

Philadelphia Electric's long-range multi-million dollar construction program is tangible evidence of the confidence it has in the economic stability of Greater Philadelphia. The Company shares the belief of business leaders here that the growth and prosperity of the area will continue.

ARTHUR REIS, JR.

President, Robert Reis & Co.

With the overall textile industry including its men's wear segment having just completed a year of substantially less than boom conditions, some comparative improvement in 1953 should be possible. Certainly there is no reason to be concerned about an overstocked situation by men's wear retailers, manufacturers, or the ultimate consumer. Buying has been on a conservative basis at all levels.

Arthur Reis, Jr.

The year 1957 saw figures recede slightly from the previous year. At the end of nine months department store sales of men's wear were 1% behind, and it is dubious that this improved in the final quarter. The same increases in costs that were felt throughout the American economy similarly prevailed for men's wear manufacturers, thus adding to the year's problems. Labor, money, advertising and transportation costs all increased and these more than offset decreases that took place in raw materials such as cotton cloth and knitting yarn.

Turning to 1958, the soft goods category may well stand to gain, if less of the consumer dollar goes to automobiles and other large consumer durables. Prices have not risen in men's wear in particular during the last year, in fact, better quality and occasionally lower prices have prevailed. Values are thus excellent, and should be decidedly tempting. Brand merchandise in the midde price brackets, combining quality and value should move particularly well. The public appears to have ceased to "trade up" further at this time, and also has reacted at the other end from low-end merchandise with its uncertain performance and often restricted dimensions. Costs should be relatively stable. Some increases always creep in, but 1958 should also be a year when some economizing may be achieved. All in all, there appears to be some likelihood of improvement in the men's wear field over 1957 in both volume and profits.

FRED L. RIGGIN, SR.

President, Mueller Brass Company

The Mueller Brass Co.'s business is the manufacture of copper, brass, aluminum and kindred products. The spectacular decline in the price of copper has caused most buyers to run for cover. It seems more or less standard practice in America not to buy on a declining market. When economic conditions are uncertain and there is a general loss of confidence, there is created an attitude of "let's wait and see." The result is declining business, sharp competition and a squeeze on profits.

Fred L. Riggin, Sr.

The people of this country have experienced one shock after the other, all adversely affecting business and diminishing somewhat their confidence in the future. To cite a few of the major factors influencing our present economic situation, we have only to mention the decline in the stock market, the arrival of the first and second sputniks, our own failure to launch a satellite, the recent illness of the President, and the uncertainty about his ability to carry on the burdens of his job as President.

I believe thoroughly in the fundamental soundness of our business economy. I agree with most businessmen that we can't have much improvement during the first half of 1958. However, for the long term pull it seems to me that we can't help but go forward. The volume of business in our own industry has declined constantly throughout the year. Our profit margins are being squeezed by increased labor rates. We have been hurt by strikes, but these things I consider normal in an economy such as we are going through at the present time, and I have every confidence that a great many people are unduly disturbed by the conditions which I have outlined. I believe we are facing, in the next five to ten years, a prosperity greater than this country has heretofore ever known, barring, of course, a war or unforeseen unusual circumstances.

E. A. ROBERTS

President, The Fidelity Mutual Life Insurance Co.

The Life Insurance Industry has completed the best year in its history. The latest estimates are that new sales in 1957 will exceed the previous high record in 1956 by 25% and that insurance in force will be increased by better than 10%. Payments to policyholders also reached a new high of $8.7 billion.

E. A. Roberts

The outlook for 1958 is equally bright. By the end of the year there will be around $1½ trillion of life insurance in force, and new sales during the year will probably reach almost $100 billion.

These figures are impressive. However, the total amount of insurance in force represents only a little over one year's national income. The reserves on this insurance represent less than three months of the national income. Obviously, the insurance needs of the American people have not been fully met. There is plenty of room for future growth in the business.

Other operating results in 1957 were also good and promised to continue so into the new year. Mortality experience in general was good. Interest earnings improved as a result of investment of new money and reinvestment of maturing securities at current higher interest rate levels. The trend toward the purchase of a higher amount of insurance per policy continued. These trends have enabled many companies to increase dividend rates and decrease premium rates

The year was marked by an increase in the competitive tempo and there were a number of new developments. These included the greatly increased popularity of the Family Plan; the adoption of special policies with high minimum limits, lower premiums, and higher cash values; the development of the quantity discount approach to insurance premiums; and the wider acceptance of the pre-authorized check plan for payment of monthly premiums.

At the end of the year, the 1,300 life insurance companies domiciled in the United States had combined assets in excess of $101 billion. This was an increase of more than $5 billion for the year, with corporate bonds accounting for one-half of the increase. While housing starts declined during the year, this did not prevent mortgage holdings from reaching an all time high with an increase of $2.2 billion. The remaining $300 million was accounted for by small increases in real estate holdings, policy loans and other miscellaneous assets.

The deterioration of general business in the last part of the year did not affect life insurance. This is not exceptional, for the records will show that life insurance resists the wider swings of the economy.

The investment outlook for 1958 continues to look good. The industry starts off the year with a substantial portion of current income already committed at attractive interest rates. For a portion of the uncommitted funds there will be a wide choice provided by the increase in State and Local public works programs. The pressures of a rapid population growth for such facilities as schools, hospitals, municipal buildings, water and sewer system, streets and highways, could mean an unusually large flow of municipal offerings during the year. Construction in general remains one of the healthiest lines of business and although housing showed a dip in 1957 the trend has turned and many experts are forecasting a 10% increase in 1958.

A large portion of the demand for corporate funds in the present market comes from utilities. The combined consumer and business demands for power at a doubling-every-ten-years rate reduces the flexibility of utilities to adjust their financing to changes in the money market.

Federal spending for national defense, which had been scheduled to decline in 1958 is now expected to rise, and this year will come the first big spurt in Federal Interstate Highways construction.

The main investment problem in 1958 will be the lack of investment opportunities. It will be one of estimating and stabilizing the cash flow and allocating the funds to the appropriate channels.

Last year brought many records to the Life Insurance Industry despite the fact that general business conditions moved in the opposite direction. The demonstrated desire of the American family for more complete protection would indicate that many of these records might be surpassed in 1958.

CLINTON F. ROBINSON

President, The Carborundum Company

Anticipating a lull in total U. S. economic activity in 1958, Carborundum Company business is apt to show no more than a modest gain in sales. The sales gain during the past three years was quite consistently higher than the economy as a whole. New and acquired products added further to the gains in our older lines which paralleled the general uptrend in industrial production. The burden of continuing a progressive pace in 1958 will rest more heavily on newer growth products, new produce development and the capacity to increase our share of the total available markets. Duplication of the Company's 1957 sales gains and performance during 1958 would be expecting too much especially in an economic atmosphere which is considerably more vulnerable to decline than it has been for some time.

In 1957 our economic forecast was excellent by any standard. 1957 programmed Company sales were surprisingly accurate and, as anticipated, reached an all time peak. Our economic forecast for 1958 quite definitely sets some limitations on possible rates of sales gain and related performance. This fact along with others, however, has been duly considered and only a reasonably good accomplishment of overall program performance is needed in 1958 to realistically keep sales even or slightly above those in 1957.

Internally, improved methods and systems for providing better customer service in manufacturing, distribution, order processing, warehousing, shipping, etc. should have favorable affects on costs. Profitability of overall operations should therefore definitely move in a positive direction during the course of 1958. Capital expansion plans have not been appreciably changed. Research and development will be continued and further implemented. Barring further or prolonged deterioration in the economy, which is unlikely, there is a good probability that most of our expectations will materialize. At this point there does not appear to be any substantial reason for expecting more than a further modest and short period of correction in industrial production and even a lesser change in the Gross National Product. Some currently depressing inventory adjustments which are occurring in industry appear temporary and should be soon brought into balance. With better balance in the inventory sector, stabilizing forces will most likely set the stage for a resumption of an upward trend in industrial activity.

In planning and programming Company business in 1958 the need for flexibility to cope with possible changes is quite obvious, particularly those on the down side such as the capital goods and durable goods industries. It is not easy to cover all possibilities in a single plan but all alternate plans must be geared to a primary one in order to assure compatibility in meeting the objectives of the Company. Our primary program is geared to an economy in 1958 which would produce in broad measures a Gross National Product of approximately $440 billion and an industrial production average for the Federal Reserve Board Index of Industrial Production of approximately 140. The bottom in both Gross National Product and the Production Index is expected to be reached during the early part of the year, showing modest progressive increases as the year wears on. By half year periods this pattern implies a Gross National Product level during the first half of the year in the range of $436-439 billion and a second half range of $440-444 billion. The FRB Industrial Production Index would be expected to range between 137 and 140 over the first half and 140 to 143 over the second half of the year. If approximately such a pattern prevails, the Carborundum Company's business at current product prices should closely approximate 1957, with a tendency to exceed 1957 by a modest margin.

W. E. ROBINSON

President, The Coca-Cola Company

The 1958 outlook for the soft-drink industry is good. There are many factors applicable to consumer goods on which this optimism is based. They are:

(1) Continued and increasing strength in consumer purchasing power. In 1957 gains in personal income topped cost-of-living rises by more than two per cent. This trend should continue through 1958 to give the American people the highest personal income level in our history.

William E. Robinson

(2) An increase in the supply of capital in the open market.

(3) Recently renewed construction activities plus expected reversal of the decline in home construction.

All of these, directly or indirectly, brighten the outlook for the soft-drink business.

But the market-horizon for Coca-Cola widens far beyond even these pleasant prospects in the continental United States. During 1957 Coca-Cola continued its planned expansion abroad. Today there are more than 600 Coca-Cola plants serving millions of consumers in over 100 foreign lands, and more plants are being readied for opening in 1958.

A substantial portion of our sales and profits come from these areas of which many, from the standpoint of potential, are still virgin territory. We have yet to find any part of the world where the taste of Coca-Cola is not popular.

Both in the United States and abroad we are carefully cultivating the home market, especially through introduction of the King (10 or 12 ounce) and Family (26 ounce) sizes. Over 80% of the domestic bottlers and a sizable portion of foreign bottlers are now providing these larger sizes and 1958 should see a considerable increase in home market sales.

Readers of The Commercial & Financial Chronicle are well aware of the recent decline in the securities markets and some forecasts of soft spots and unemployment in certain segments of industry. There have even been predictions of the end of our national prosperity!

To that, I reply it may be dangerous to postpone progress because of caution. There will be no such postponement by Coca-Cola. Expanded productivity in almost every field means more aggressive competition for the consumer's dollar, and Coca-Cola will take a positive, optimistic part in that competition.

We know the 1958 harvest we expect must be earned. To expand volume and penetrate new markets means increased analysis and assessment of population increases and shifts, changing habits of living and buying, and new merchandising trends implicit in these changes. To achieve our growth goals, we must intensify and improve our advertising and promotion efforts.

It is our confident expectation that such efforts will bring a sound reward in 1958.

FRED H. ROHR

Chairman of the Board, Rohr Aircraft Corporation

The aircraft industry as a whole, and our segment of it in particular, should experience an active and profitable year in 1958.

There is much to indicate that the government's reappraisal of military needs and models will bring the production schedule back into a more realistic perspective following the excitement that developed as a result of Russia's firing of two satellites into space.

Fred H. Rohr

Despite a measure of dislocation that may be felt in some areas of the industry, in our opinion the results will be good. One of the things we now need is a closer evaluation of respective roles that missiles and manned aircraft will play in our future defense programs. Neither can entirely supplant the other, and when the military value of each has been clearly defined the industry then can and will adjust itself to an intelligent production schedule.

It should be noted, in evaluating the aircraft industry, that commercial aviation is on the threshold of a new era with the coming into production of the new jet airliners. Although piston-engine airplanes will continue to fly for a long time, they will be replaced by jets, particularly for long flights, as rapidly as the airlines can purchase them. This will pose financial problems, of course, but since they are a part of progress they will be solved.

We, as manufacturers of essential components for both military and commercial airplanes—power pods, struts, fuselage sections, elevators, stabilizers and other assemblies—have diversified to a major degree. In addition to the foregoing components, which we make for both military and commercial aircraft, we have contracts with four of the larger airframe manufacturers. About 50% of our $247 million backlog is commercial, and we also have entered the field of stainless steel honeycomb sandwich structure material and high strength steel weldments, both of which are essential to aircraft, manned and missiles, designed for supersonic flight.

No industry as essential to national defense and commercial progress as the aircraft industry can stand still. We expect to see it keep pace with the needs of our nation and to continue the progress it has made in the last decade.

WILLIAM A. ROMAIN

President, Sherman Products, Inc.

Today, the construction equipment industry can be classified into two general categories: (1) specialized road-building and jungle-clearing giants; and (2) smaller, tractor-mounted hydraulic power diggers and earthmoving equipment. The latter has virtually replaced the pick-and-shovel operation with its initial low-cost versatility and performance.

William A. Romain

Needless to say, both industries are of vital importance to the country's economy. However, as our (Sherman) immediate concern is with the second category, I shall direct my comments accordingly.

The new postwar power digger and earthmoving equipment industry has undergone an initial period of accelerated growth, marked in more recent years by the appearance of small, inefficient fringe operators. Their aim, of course, was to attempt to reap the fruits of the seemingly endless demand for new, small equipment. Then in 1957 when supply rapidly caught up with demand, the inevitable "shakeout" commenced. This trend, we feel, will continue into early 1958, marked by intense competition, sales, and mergers of a great number of businesses, and the falling to the wayside of inefficient producers.

This is but a pause, however, for the industry to catch its "second wind" for a new period of gradual but rising activity. The surviving companies will enjoy a greater share of the market, but it will not be without an investment of aggressive marketing policies, keen manufacturing techniques, and intensified research and development. Profit margins, while smaller, will be more than counterbalanced by greater sales volume.

In addition, 1958 will see the first concept of earthmoving in our "world of tomorrow." For in the advanced research laboratories of our power digger and earthmoving equipment industry, work is already underway in the application of thermonuclear, ultrasonic, and electronic forces to "move mountains" in building new frontiers of global and interplanetary growth.

Unfortunately, the impact of the initial Federal road building program announcement last year was misinterpreted by many as a promise of an overnight burst of tremendous highway building activity. Instead, a program of sound planning and gradual accelerated activity will not hit its peak for several years.

In 1958, minor "dips" and "rises" will appear on a short-term basis in our industry reflecting such factors as tight mortgage money, capital expenditures, and general economic conditions. Nevertheless, the long-term outlook points to a steady, upward climb which will go hand-in-hand with this country's dynamic growth.

In fact, while over-all construction activity will show little upward gains in "real dollars," smaller earthmoving equipment will show a rise of at least 6% over 1957.

RAYMOND E. ROWLAND

President, Ralston Purina Company

The kind of business year that the Ralston Purina Company will have in 1958 is directly dependent upon the degree of prosperity that will exist in animal agriculture. The coming year seems to hold the promise of a generally good year for producers of meat, milk and eggs, which encourages us to look toward 1958 with optimism.

Raymond E. Rowland

The continuing trend toward greater production efficiency on livestock and poultry farms offers expanding opportunities for the manufacturer of modern rations for livestock and poultry. Today's farmer is a highly capitalized specialist, anxious and able to become still more efficient. He knows that the use of modern methods, equipment and feeds is an economic and competitive necessity.

Industry forecasters tell us that egg prices are expected to be better in 1958 than they were in 1957, which may increase the laying flock by 5 to 8%. There is likely to be a small increase in broiler production this year. Broiler prices are expected to remain much as they were in 1957, with the possibility of an improvement during the last half of the year. The turkey crop in 1958 will probably be about the same as last year's 80½ million, with prices about the same, too. Hog prices are expected to be good into late spring or early summer, with a 7 to 10% increase in the pig crop. There is a good chance for higher beef cattle prices in the new year.

All of these signs point to a good year for producers of meat, milk and eggs. The major portion of the business of the Ralston Purina Company is furnishing these producers with their raw materials—the modern, scientific Purina Chows that they feed to their livestock and poultry.

Our optimism for 1958 lies in the opportunities we have to expand our volume of business. With the abundance of grain that the 1957 crops assure, feed prices are likely to be still lower next year than this. Low feed prices help make better feeding profits.

MAURICE M. ROSEN

President, Progress Manufacturing Co., Inc.

As the new year gets underway, this country finds itself in the midst of a mild recession which goes somewhat beyond the "rolling readjustments" that have characterized the American economy in recent years. Industrial production is declining and unemployment is up; personal income and retail sales are down and new orders are lagging behind shipments. Capital expenditures are expected to decline by about 16% in 1958, although they will still be larger than at any time prior to 1956.

Maurice M. Rosen

While these are sobering factors, economists are hopeful that the long term upward trend of the economy may be resumed by mid-1958. As has been the pattern of recent past recessions, a number of positive economic factors continue at work. For one thing, the Federal Reserve System has reversed its hard money policies by lowering the rediscount rate and increasing the money supply. For another, two major segments of the economy show signs of expansion in 1958. They are defense business and residential construction.

A sustained increase in housing starts brightens the outlook for the residential lighting fixture industry. Housing starts have been on the upswing since last spring and a moderate rise well into the current year is expected. Over-all construction prospects, in fact, appear to be a relatively strong spot in the current recession.

Of importance to the electric lighting fixture manufacturer is the fact that new homes of today are growing

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ever larger. Instead of the two-bedroom houses of a few years ago, most of today's new homes have three or four.

In addition, prospects for the lighting fixture manufacturer are buoyed by the fact that today's home owner is becoming more and more conscious of the adequacy of lighting. The effect of this has been a greater number of lighting fixtures designed into new homes and widespread modernization of existing homes.

During the past year Progress Manufacturing Company, Inc. has further strengthened its position as the world's largest manufacturer of residential lighting fixtures by adding an extensive luxury line of high fashion fixtures. In addition, the company is placing increasing emphasis on the manufacture of exhaust fans and range hoods. The addition to its lines late in 1957 of a high quality radio intercom system further enhances the company's stature.

Exhaust fans have achieved a standard equipment status in new homes and range hoods are rapidly being accepted as such. Until present, radio intercoms have been a luxury item limited to houses in the highest price ranges. The new Progress system, priced within reach of the average homeowner, has been well received and seems to show great promise. The distribution channels are identical with those used by Progress for its lighting fixtures, fans and range hoods.

The various factors afford basis for optimism for an increase in the company's sales and earnings in the coming year, despite recessionary trends in the general economy.

NORMAN I. SCHAFLER

President, Consolidated Diesel Electric Corporation

The year 1958 may well be the biggest year in the ground support equipment industry since the jet replaced the propeller in military aviation. This probability springs from the fact that America's newest and most challenging frontier is less than 200 miles away—straight up. Two factors underscore the promise of unusual activity in 1958. One is the urgency of the concentration upon missile development. The other is the imminent approach of commercial jet transportation. In either case, the anticipated burst of activity "upstairs" seems virtually certain to require an earthbound support industry of unprecedented diversity and size.


Norman I. Schafler

In the field of long range missile support, our industry will face in 1958 its greatest challenge to date. As the United States' missile effort intensifies, the ground support industry must keep pace. The recent Project Vanguard failure emphasized that the success or failure of long range missiles is dependent upon control systems which are almost unbelievably intricate. Every element of these systems—electronic, hydraulic and pneumatic—must be thoroughly serviced and tested prior to launching.

As missiles become operations and are supplied to the Armed Services in squadron strength, ground support systems encompassing the functions of logistic support and handling, and missile assembly, test, communications, missile check-out and launching, must receive additional attention. A "new look" will be in order to convert the ground support systems that were adequate for the test launchings under "laboratory" conditions with skilled testers to systems that are usable under battle conditions in the field by the G. I. The development and manufacture of this servicing and testing equipment is the responsibility of the ground support industry.

Commercial jet transportation is expected to make its bow late this year. The giant jet transport in commercial use has several distinct advantages over aircraft presently used, and presents many new problems. The advantages consist in the facts that jets are faster, quieter and more comfortable in the cabin, and can carry more people. The disadvantages—or problems, if you prefer—that can be anticipated arise from the very nature of jet aircraft.

. . . Passenger and public terminal facilities cannot be exposed to the blast and heat of jet engines. Some outside device must provide movement power to get big 707's and DC-8's into and out of loading areas. Con Diesel has one solution. We recently completed tests of our "wheel-mover" unit on the 707. This device supplies power directly to the wheel rims of the aircraft, while direction and speed remain under the pilot's control.

. . . Power to operate the electrical and air conditioning systems on the ground cannot be provided economically by the jet engines because of their high rate of fuel consumption. As a result, some outside power source, probably one connected with the source of movement power, will supply electrical power and suitable air conditioning.

. . . Assuming the aircraft engines are shut down and the aircraft is powered and moved by an outside device, there is need for air to start the jet engines. This most probably will be provided by compressors or compressed air bottles, which also may be elements of the movement power vehicle. The Con Diesel "wheel-mover" can be adapted to provide electrical power, air conditioning and pneumatic or "air-start" power without design modification.

. . . Another example of the stimulus to the ground support industry which commercial jet transportation may soon provide: Con Diesel recently received an order from the U. S. Air Force for giant airport vacuum sweepers. These sweeper units clear one million square feet per hour of runway, taxiway and ramp space of all foreign objects likely to be drawn into powerful air intakes of jet aircraft. These units are expected to save the Air Force millions annually in jet engine repair and replacement. They will one day effect similar savings for commercial airlines.

These problems are not new. The Armed Services, especially the Air Force and the Bureau of Aeronautics, have been working with representatives of Con Diesel and other ground support equipment manufacturers on these and related problems for 10 years or more. In 1958, however, these jet operation problems will for the first time confront the commercial airlines, with the resultant heavy reliance upon ground support equipment which has hitherto characterized the military establishment. Con Diesel, as a supplier in former years of over $60,000,000 in military ground servicing equipment, considers itself uniquely equipped by experience to facilitate America's entry into commercial jet airline operations and to supply the reliable ground support systems that will be required for missile operations.

HERBERT I. SEGAL

President, Van Norman Industries, Inc.


Herbert I. Segal

INFLATION—the enemy of civilization finally caught up with labor commerce in 1957.

The outlook for 1958 depends on the realism of union leaders and corporate executives in getting down to earth. Unity of thought and action is urgently necessary. If there will be a sharp cleavage then no one can predict the outlook for 1958.

If both sides "of the desk" get together and put a halt to the inflationary spiral then we can normally look for a continuation, slightly, of the downward trend for the first six months of 1958 and a resumption in the last half with accelerated business taking place in 1959 and 1960.

NORMAN SCHWARTZ

President, D. W. G. Cigar Corporation

For the third consecutive year, the cigar industry registered a significant sales increase in 1957. There seem good reasons to believe that the long-term trend of the industry will continue to be favorable. Changes in our living pattern, the long-term economic outlook and new developments in cigar manufacturing are among the factors leading to this optimism.


Norman Schwartz

The American people of today enjoy far more leisure than ever before and industries catering to this so-called "leisure market" are experiencing substantial growth. Cigars, unlike cigarettes, have traditionally — and rightfully so — been associated with leisure and relaxation and it can thus be expected that increases in cigar sales will follow right along with increases of sales of outboard motors, fishing reels and athletic equipment. In somewhat the same vein, the exodus from our cities and the rapid emergence of America's Suburbia represents a favorable omen for the cigar manufacturer. As the move toward the country continues, more and more time is being spent out of doors; men have historically smoked far more cigars during times when outdoor activities are at a peak. Seasonal fluctuations in cigar sales have shown a decided increase during the summer months when weather conditions permit and encourage the outdoor life.

Recent developments in the manufacturing of cigars are also tending to bring the cigar more into line with the changing tastes of the American consumer. There has been evident over the past several years an increasing consumer preference for milder products. The processed tobacco binder which made its first appearance on the market some two years ago and whose use has now become very wide spread by cigar manufacturers has given the cigar a milder, cooler taste than was true heretofore. Incidentally, the processed tobacco binder also increases substantially the manufacturing gross profit of the cigar manufacturer.

Per capita cigar consumption has historically shown a fairly close correlation with personal income figures. Therefore, the continued long-term gain in personal income should favorably influence cigar consumption. At the same time, it might be noted that cigar sales have seldom shown the extreme peaks or valleys occurring in most economic indicators. Hence, cigar sales have tended towards greater stability than the American economy as a whole.

When factors such as the high birth rate of the 1940's the increasingly favorable consumer acceptance of the cigar and others are added to the points mentioned above, a very healthy and more prosperous future shapes up for the cigar manufacturer. Certainly that future will be beset with problems because competition in the industry—no less than in other businesses—is becoming not only more keen but also more intelligent than ever. Nevertheless, with the great progress which has already been made in such areas as sales, advertising, research and manufacturing, there is every reason to believe that the cigar manufacturer will be able to cope with these problems and to solve them most successfully.

J. P. SEIBERLING

President, Seiberling Rubber Co.

Sales prospects for the rubber industry in 1958 look good.

Total passenger tire sales should continue at their present levels and truck tire demand may be expected to improve after a 1957 drop.


J. P. Seiberling

The nation's business economy as a whole should see a slight dip during the first half of 1958, with a recovery in the second six months.

The entire year, while not a record-breaker, should be good enough to rank just below the best two or three years the country has enjoyed.

In 1957, the rubber industry itself again showed its strength. It gave further evidence that the job of keeping America's automobiles—old and new alike—equipped with tires and rubber accessories is linked to an ever expanding market.

Even though some industries experienced lulls or dips in 1957, final reports of the tire industry are expected to show a 6% production increase over 1956 to meet current demands.

Although none of the industry can afford complacency, we should look forward to 1958 with optimism about further sales increases. Several factors indicate good reason for this attitude.

Today 75% of America's families own cars. These motorists traveled half a trillion miles in their cars in 1956 and for 1957 the mileage increased.

It is apparent that people consider the automobile a virtually indispensable part of their lives. Motor vehicle travel has almost doubled in the last 10 years and in 1956 people spent nearly 10% of their disposable income to operate their cars.

With no severe setbacks in sight for the economy, it's reasonable to expect this trend to continue.

The most important object for tire manufacturers and retailers in 1958 should be to sell safety. Although the percentage of traffic deaths per miles traveled has decreased recently, the actual number of fatalities continues towards all-time highs.

In 1956 around 40,000 Americans died in traffic accidents. It was worse last year.

In 1958 the tire industry can render a great service by concentrating on selling the safest tires made.

FRANK A. SEWELL

Chairman of the Board, The Liberty National Bank & Trust Co., Oklahoma City, Okla.

I expect the current recession to continue for some months—maybe until fall—before we round the corner to recovery and business expansion again.

1957 started with a boom and is ending in a recession. It is possible, I believe, for 1958, which will start in a recession, to end in a recovery or slight boom. I think that the post-war general upswing in business just ran its course. When our productive capacity caught up with and passed demand, surpluses grew higher and higher until cutbacks in production, lay-offs, and unemployment caused less buying, and finally the recession was with us.


Frank A. Sewell

It is interesting and encouraging to see how readily our government and the Federal Reserve Bank can apply the brakes, and then when the tide changes how quickly they can completely about face. In the first half of 1957 vigorous efforts were made to slow down the trend toward inflation. The government made deep cuts in defense contracts, and the Federal Reserve Board raised the discount rates to make borrowing more difficult—all in an effort to curtail expansion. In the latter part of the same year, 1957, when the recession started the government immediately adopted plans to step up defense spending, particularly in the missile field, and the Federal Reserve Board reduced its re-discount rate to make borrowing easier.

The task now is to halt the recession trend. How soon the recession ends depends, of course, not only on how effective the efforts are of all who are concerned here in America, but also on the international situation. Certainly, Russia's rapid advance in science, particularly as related to the conquest of outer space and the development of effective inter-continental missiles, is going to spur our efforts in these vital but extremely expensive fields. We are headed for much larger defense spending. More emphasis and expense in research is certain. The cold war is getting hot and costly, and will be more so in the foreseeable future.

I believe there will be an upturn in business when the following factors are met: when inventory becomes depleted and there is a demand for stepped-up production of goods; when borrowing becomes easier with money available; when government gets going on its stepped-up defense program; when employment rises making it possible for people to spend more freely on homes, cars, etc.; and when confidence is restored to businessmen to where they will start spending for new production machinery again.

I think 1958 can be a fair to good year for us in Oklahoma because our economy is based so much upon agri-

culture. Farmers here have made progress in the past year. The long devastating drouth is broken and crop prospects are better at this time than in recent years. Cattle prices are improving, and basic crop prices are still under control. It might be a good year for most Oklahomans.

WALTER A. SHEAFFER, II

President, W. A. Sheaffer Pen Company

Broadened distribution, greater popularity of improved ballpoints and increasing demand for cartridge fountain pens should help push the writing instrument industry's sales to record or near-record levels in 1958.

W. A. Sheaffer, II

Americans are likely to spend nearly $300 million for handwriting tools in 1958. Retail sales volume in 1957 is expected to reach nearly $270 million.

We feel that the writing instrument industry will increase its activity in the gift market. Speaking for our company alone, we are not so concerned with our share of the writing instrument industry as we are with our share of the vast and growing gift market, covering a wide variety of products.

As the war-time baby boom is reflected in our population figures; as these youngsters grow, attend school, graduate and marry, the gift market becomes increasingly important to the writing instrument industry. This importance will be shown in increased sales. The potential of this growing market is indicated by the fact that the nation's grade and high school enrollment is expected to increase by about 1,400,000 in 1958.

Recent improvements in ballpoints, such as the non-corrosive sterling silver tip, assure continued popularity for that writing instrument. For many consumers, the ballpoint has become the "second pen," the strictly functional writing tool used for daily routine writing tasks. Longer writing ballpoints are expected to be in heavy demand in 1958.

While ballpoints have increased in yearly volume, fountain pen sales have also risen. This is an indication that for most companies in the industry the ballpoint field is plus business, not previously available to them.

New trends in pen design and use of color are anticipated for 1958. High fashion colors in cartridge fountain pen barrels proved extremely popular last year.

Greater use of fountain pen desk sets in the home should contribute to increased pen sales in 1958. Desk sets have found a permanent place on the office desk and comparable acceptance for home use would give desk set sales a tremendous boost. New desk set designs, which qualify them as home furnishing items, should help build their home use in 1958.

Writing instrument manufacturers, retailers and users are still burdened by the 10% excise tax on writing tools imposed in 1952. Manufacturers will continue their fight for removal of the tax in 1958.

Removal of this inequitable tax on writing instruments—everyday essentials in education and business—could help decrease pen prices and increase pen sales. It seems ridiculous that athletic equipment used in educational institutions is not subject to an excise tax while pens used in the classroom are. We're hopeful that legislators will perceive the illogic of the tax on pens and do something to remove it this year.

ROBERT F. SIX

President, Continental Air Lines, Inc.

With inauguration of services with our fleet of Viscount Mark II planes in mid-1958, Continental anticipates the most productive year in its history.

However, with costs rising as rapidly as they are, regardless of the productivity of the Viscount Mark II, profits for the year 1958 could be nebulous. We are confident that the 810/840 Viscounts, augmenting our DC-7B Club Coach services over the Chicago, Kansas City, Denver, Los Angeles routes, will enable us to maintain a competitive advantage of superior service which has marked our operation on the Chicago-west coast segments since inception in April. Later in 1958, as delivery is made of more Viscount Mark II equipment, we will start jet-prop operation on other routes through Texas, New Mexico, Oklahoma, Kansas Colorado and to Kansas City.

Robert F. Six

Literally speaking, the air industry expects only a slight improvement in passenger traffic for 1958.

This is based upon the general level of our economy, and this again points up the immediate need of an emergency fare increase if the airlines are to show a profit and to continue their progress in acquisition of the forthcoming fleets of jet transports.

Never before has the position of the airlines been so precarious; corrective action by the Civil Aeronautics Board is imperative to enable the airlines to recover their losses of the past year and to regain the confidence of the investing public.

ROBERT S. SOLINSKY

President, National Can Corporation

I look forward to a good year for the Can Industry in 1958. In saying this, I assume that general business conditions will follow the predicted pattern of a slight down-turn in the first half of the year, followed by an improvement to at least 1957 levels of business activity.

Robert S. Solinsky

Yet the Can Industry is largely insulated from general business conditions. For example, to whatever extent there has been a recent business down-turn, I do not find it reflected in can sales. Can shipments so far reported for 1957 by the U. S. Department of Commerce show a 3% lag compared with the same period for the previous year. But closer examination of the figures shows that this drop was principally attributable to a smaller fruit and vegetable pack, due to crop conditions, and to a lesser degree to a continuation of the long term decline in cans manufactured for their own use by the evaporated and condensed milk industry.

More specifically, there was a decline of 95,000 tons in steel consumed in the manufacture of all cans shipped for sale to September 30, 1957, as compared with that date in 1956. The decreased use of steel for fruit and vegtable cans accounted for 81,000 tons of the total figure, and steel for evaporated and condensed milk cans accounted for 12,000 tons of the remainder of the decline. In other words, the can industry showed little effect of any changed economic conditions.

On the positive side, I note first the continuing population growth. This trend, for our industry, is augmented by the increasing rate of formation of new families, which are disproportionately high users of canned products. There has also been a 7½% average annual increase in per capita consumption of cans over the last ten years.

Supporting this trend is the increasing number of new and improved products which are being packaged in cans.

As a result, I expect can sales to continue to rise in 1958. Crop conditions will, of course, be a factor. But crops were generally below average in 1957, and our reasonable expectation is certainly for a more normal year.

In this sharing of these expected sales gains, competitive conditions will surely place a premium on alert and aggressive management. National Can looks forward to sales gain of at least 10% in 1958.

Prices for cans were not satisfactory in all of 1957. I believe that the industry must have better treatment in this area if it is to maintain margins necessary for expansion and to meet increasing demand for its products.

REUBEN E. SOMMER

President, Keystone Steel & Wire Company

The year 1957 marked the 100th anniversary of successful steelmaking in America and the 68th year of business for the Keystone Steel & Wire Company.

It was a year of growth for our industry and our company—at the same time it was a year of readjustment. While our company grew in facilities and customers, a decided swing to reduced consumer demand and intensified competition was reflected throughout our operations. We are now in a highly competitive year—perhaps the most competitive of all of our postwar years. The continued growth of our company and improved job security of our employees during this period will depend on how well all of us meet this new challange. The time when all steel wire buyers were willing to accept the same uniform products has ended. To meet the needs of present customers requires the manufacture of specialized steel to precision specifications.

R. E. Sommer

Since the end of World War II, we like most steel companies throughout the United States have carried on a carefully planned expansion, replacement and modernization program. Our most recent major project saw the completion of a new high speed Combination Rod and Bar Mill which will offer even greater opportunities for us to meet the demands of our customers.

Equally important with this construction activity is the continuing development of the skill and resourcefulness of Keystone employees and the contributions they make to the company's progress. With skilled production, maintenance, sales and office employees, operation of our unusually flexible modern precision steelmaking and processing facilities should enable us to compete effectivly.

Expansion and modernization activity will continue at Keystone during 1958. A fifth open hearth furnace is under construction; when completed it will increase the company's open hearth steelmaking capacity to 620,000 tons a year. Modernization of the Blooming Mill and other major changes are similarly included in our expansion and replacement planning.

We feel that we have prepared ourselves for the days ahead and we look forward to their challenge with confidence that our business will continue to prosper and grow.

STANLEY M. SORENSEN

President, Hammond Organ Company

Sales of the Hammond Organ Company in the current fiscal year, which ends March 31, 1958, are running ahead of those for the same period one year ago. Although it is too early to discuss year-end earnings, we can report that our business has been good and we look for continued good business in fiscal 1958-59.

Stanley M. Sorensen

Like a majority of companies, Hammond is faced with the problem of higher costs of doing business. We are endeavoring to maintain profit margins by closely evaluating methods and systems, by utilizing our development and engineering staff with respect to improvement of product from the standpint of cost savings, by improvement in supervision enabling a more effective use of manpower, and by increasing volume.

Hammond is laying the groundwork today to maintain its industry leadership tomorrow; to retain its position as the world's largest organ manufacturer.

The company has carefully expanded its plant and manufacturing facilities. It has doubled the amount of space devoted to research and development. Forward planning also has involved management. Only recently, the company introduced a formal organization structure designed to provide the framework within which the company's growth will be accomplished in orderly fashion.

During the past year, Hammond Organ Company and Commercial Credit Corporation developed a program that enables our dealers to purchase organs under a wholesale floor plan. This nationwide financing arrangement provides only Hammond dealers with a new central source of credit in addition to their local sources. Included also is a retail customer time-payment plan. Although the program has been in operation only a very short time, we are confident it will have a definite bearing on sales.

As we have maintained in the past, the future of the organ business lies in the vast home market. In the past, the large bulk of our sales has been to homes and it will continue to be that way in the future. We are confident of this market. It is growing with each passing year and its potential is nearly unlimited.

M. J. SPIEGEL

Chairman of the Board, Spiegel, Inc.

There is considerable variance in the predictions on retail trade in 1958 made by the nation's leading economists. Some are forecasting sales volume as much as 2% ahead, while others believe the new year will fall as much as 5% below the 1957 levels.

M. J. Spiegel

Those who expect a declining volume point to the current lag in industrial activity, the rise in unemployment figures, and the fact that few workers are taking home overtime pay these days.

Counteracting these depressive forces, however, are the concrete steps being taken by government agencies to reverse the down trend in business. The effect of these policies has not yet been felt, but should manifest itself before the Spring season is over.

There were indications during the Fall season that consumers are looking for lower prices and better values. This trend will probably be more pronounced as the new year begins.

The mail order industry, established as the traditional low price leader, should be able to attract a larger share of the consumer's dollar during this period of bargain hunting. During recent years, the leading mail order houses have upgraded their catalogs to include the newest fashions, furniture, appliances and other needs for better living, offered at prices below those of retail stores. The Spiegel Catalog for Spring, 1958, published Dec. 26, lists thousands of items in general use, and more than one-third of these items are priced lower than last year. The overall average price reduction is estimated at from 2½ to 3% compared to 1957 levels.

Time payment purchases should again buoy the economy. The pace of installment purchases slowed down in the latter part of 1956 and during the year 1957. The rate of repayments, on the other hand, continued its strong upward trend and therefore has automatically generated additional buying power for credit purchasers. As more and more consumers make final payments on present installment debt the probabilities are that they will make use of this potential buying power in 1958 and increase their installment purchases.

Spiegel, Inc., has geared its approach to time payment buyers and should be able to capitalize on this situation in 1958.

By the Fall season, the trend in general consumer buying should improve, since labor settlements that might depress business in the first six months will be past, and the full impact of government policies to bolster the economy will be felt. The year should end with a gain, and on a good note.

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EDWARD L. TEALE

President, New York Shipbuilding Corporation

Despite the very apparent slackening of the general business pace especially during the last half of 1957, New York Shipbuilding Corporation benefited substantially from the continuing acceleration of new ship construction which it has developed during the past two years. It completes its 1957 fiscal year as one of the relatively few corporations which has experienced an increase throughout the year in both its employment and in its business backlog.

At the commencement of its 59th year in the shipbuilding industry, New York Shipbuilding Corporation has a backlog of approximately $280 million covering a wide range of contracts for various types of ships as well as nuclear reactor components and structural steel fabrication.

Most significant of the contracts awarded to New York Shipbuilding Corporation during the past year has been that for the construction of the world's first nuclear powered passenger cargo ship to be named the SAVANNAH commemorating the original ship by that name which was the first American flag steam vessel to cross the Atlantic. The NS SAVANNAH (NS for nuclear ship) will be a further step in this nation's demonstration to the world of the peaceful uses of atomic energy. During 1957, the Corporation was the successful bidder on the construction of three destroyers which will be armed with guided missiles. Work on the actual construction of these destroyers and the nuclear ship will not get under way until 1958, although much of the engineering and purchasing for these vessels was accomplished during the past year.

In addition to the four vessels mentioned above, New York Shipbuilding Corporation has under contract six large commercial oil tankers, the super aircraft carriers USS KITTY HAWK, a high speed submarine, the conversion of the light cruiser LITTLE ROCK into a guided missile ship, and the construction of the reactor pressure vessel for the General Electric Company which will be the heart of a 180,000 KW all nuclear commercial power generating station which that Company is constructing for Commonwealth Edison Company at Dresden, Illinois.

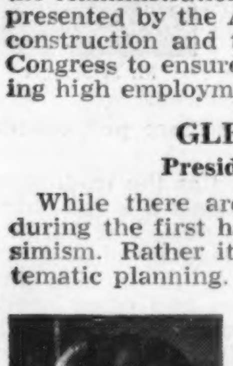
Not counting anticipated further contracts, the present order book assures a high level of activity to last through 1960, and the yard's present working force of 5,700 is expected to increase to approximately 10,000 during 1958 as present construction schedules gain momentum. Shipbuilding prospects for 1958 and the years ahead are particularly encouraging. Bids were taken this Fall by the Federal Maritime Administration for eighteen vessels in their phased replacement program of the American Merchant Marine fleet. Funds for construction subsidies for national defense features for these ships had been appropriated in 1956 and its anticipated that construction awards will be made shortly after the year end. We have reasonable expectations that New York Shipbuilding Corporation will participate in this construction program.

It might be well to note that our current backlog does not include the yard's low bid of $109 million for construction of a sister ship to the giant passenger liner SS UNITED STATES, which must wait on a Congressional appropriation before the award of the contract. Estimates as to the duration of the current boom in shipbuilding vary only to degrees, ranging from five to ten years. Orders now on hand and about to be placed assure a certain amount of continuity but the entire future of economic shipbuilding operation depends upon the Administration and the Congress. The budget to be presented by the Administration for new merchant ship construction and the support given that budget before Congress to ensure its passage holds the key to continuing high employment in this industry.

GLENN W. THOMPSON

President, Arvin Industries, Inc.

While there are some signs of a business softening during the first half of 1958, this is not a time for pessimism. Rather it is a time for realism, a time for systematic planning.



Glenn W. Thompson

Although it is never welcome, perhaps a setback in business will have beneficial results. Most certainly it will bring out the best in those firms which are willing to accept and meet challenges, and it can improve the muscle tone of those companies which have been too complacent, which in times of prosperity have become flabby.

In our opinion 1958 will be a reasonably good year for those who deserve it—for those who are willing to think, plan, and work to make it a good year. Maybe in America we've become too accustomed to watching ever-ascending figures on sales and earnings charts. Maybe we've become too accustomed to reporting to stockholders that "last year was the best in our company's history." Maybe we need the sobering experience of having to dig and dig hard to maintain satisfactory sales and earnings.

Nineteen Fifty-Eight will present many problems for the American businessman. But he is accustomed to facing and solving problems. That's his life. After all, there wouldn't be much fun, much real compensation in being a businessman if things came too easily year after year.

Most business leaders will face up to their responsibilities in 1958. Costs will be scrutinized more thoroughly and selectively than in many years. Salesmen will be coached to sell harder and more intelligently than in the past. Through the ingenuity for which American business is noted, new products, new methods, and new techniques will be introduced with effective results. Research will play a bigger role than ever before.

And, after all, there are many plus factors which will contribute toward making 1958 a good year. The public has money and its wants have never been completely satisfied. Credit has been eased. Spending by the Federal Government and by many of the State Governments will be stepped up. And, finally, the ever-increasing population of our nation and the world provides additional consumers whose wants must be supplied by industry.

Our company, Arvin Industries, Inc., is a part of three great industries—automotive, electronics and appliances, and furniture and housewares.

While our sales and earnings will be affected to some extent by the national economy, we confidently expect 1958 to be a good year. The automobile industry, for which we are an important supplier of parts, is noted for its resourcefulness and we, therefore, expect sales of passenger cars and trucks in the coming 12 months to approximate those of 1957. Radios now are enjoying a new surge of popularity, and window fans and electric room heaters have become necessities for the average American home. Increased leisure has introduced to the public the joys of outdoor living, and with it has come a continuing demand for furniture for the patio and lawn and barbecue grills for outdoor cooking.

Arvin, therefore, expects 1958 to be one of its better years.

GEORGE B. STORER

President, Storer Broadcasting Company

I must confess that the economic cross currents which are present at this time make it extremely difficult to coment upon the immediate outlook for the coming year.

I can only say that our busiess is excellent, but it is difficult to secure long-term commitments from advertisers, and personally I am extremely concerned about the outlook for the immediate future. Basically, however, I have a feeling that we are in an inventory depression not unlike that experienced in 1921, during which time we had a downward adjustment of prices for all goods and services until the public was convinced that real values were available, after which time a revival of confidence appeared and a long cycle of increasing business confidence ,extending from 199 until 1929) followed.

JOSEPH S. THOMPSON

President, Federal Pacific Electric Company

The business outlook for 1958 seems to me one of substantial activity, no spectacular growth, and no spectacular setbacks.

Joseph S. Thompson

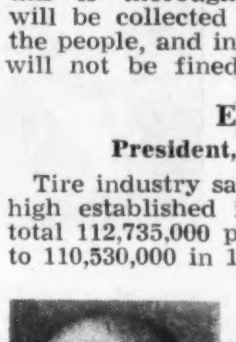
If we, through our governing bodies, could institute the practice of collecting land rental for the public revenue instead of fining industry, the effect on our prosperity would be electrical. Housing projects are now suffering stifling setback because the cost of land discourages home developers.

The presence of the people creates land (location, site) value. When this is thoroughly understood, it will be collected in the interest of the people, and industry and service will not be fined to the extinguishing point.

E. F. TOMLINSON

President, B. F. Goodrich Tire Company

Tire industry sales in 1958 will approach the all-time high established in 1955. Industry sales in 1958 will total 112,735,000 pneumatic tires of all types, compared to 110,530,000 in 1957. The record year for the industry is 1955, when 114,244,000 tires were sold.



E. F. Tomlinson

Shipments of passenger car tires, including original equipment on new cars and replacements for old tires on present cars, are expected to total about 93,000,000 units in 1958. This compares with 91,050,000 in 1957 and the record 93,668,855 in 1955.

Replacement tire sales in 1958 will increase nearly 4% over the estimated $1.5 billion sales this year. Although this is a large sum in the aggregate, it amounts to only 50 cents per each hundred dollars spent for consumer goods by Americans.

We estimate that there are approximately 56,100,000 passenger cars registered today and predict that by the end of 1958 there will be 58,400,000 cars registered in the United States. Today, 12% of American families are two-car owners and in another 10 years, 20% (one in every five) will have at least two cars.

B. F. Goodrich recently announced a new high-speed six-ply tubeless tire designed to provide maximum safety at top turnpike speeds and yet give longer wear at regular speeds, a combination, that is unique in the industry. Usually, a tire has one or the other feature. The new tire, called "Silvertown 125," provides safety at speeds far faster than any motorist can safely travel.

Shipments of truck and bus tires in 1958 will be about 14,400,000 units, an increase over 1957 shipments of 13,750,000, but slightly under the 1955 record of 14,766,392.

Farm and implement tire shipments will total 3,400,000 in 1958, compared to 3,325,000 in 1957 and the record of about 5,200,000 in 1948. Miscellaneous pneumatic tires, including aircraft and industrial, will total 2,400,000 in 1958, about the same as in 1957.

Last year the company completed a $6,000,000 expansion of its tire production facilities at Los Angeles and a major addition of facilities for producing off-the-road tires for large construction equipment at its Miami, Okla. plant.

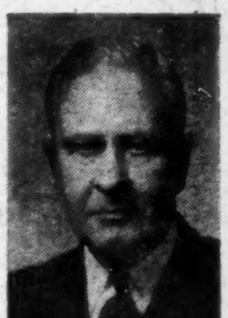
A major distribution center in Charlotte, N. C., the 14th to be established by B. F. Goodrich since 1950, was completed during the year, and construction was started on three others in New Orleans, Minneapolis and Allen Park, Michigan to be completed in 1958.

The company also has distribution centers in Columbus, Ohio, Philadelphia, Atlanta, Dallas, Kansas City, Los Angeles, San Francisco, Springfield, Mass., Denver, Memphis, Portland, Ore., and Chicago.

CLOUD WAMPLER

Chairman, Carrier Corporation

The retail sales volume of the air conditioning industry in 1958 will be 5 to 10% greater than the $3 billion total of the past year in spite of some slowing down in business generally Our analysis of air conditioning trends, indicate moderate gains in both room air conditioners and central air conditioning of homes assuming reasonably favorable weather and general business conditions. We estimate room unit sales would come close to 1,750,000 as against 1,500,000 in 1957.



Cloud Wampler

Approximately 175,000 central residential systems will be installed during the year, bringing the total number to nearly 800,000.

Both room and central equipment sales in 1957 were affected by tight money and unfavorable weather in many parts of the country. In addition, reduced construction rate for private one-family houses cut into the anticipated gains in home systems.

On the plus side for 1958 is the relatively low percentage of homes with air conditioning, only 2% of the total. We are just beginning the upward curve of acceptance.

Another promising factor is the recent Federal Housing Administration move advising its field offices that residential air conditioning should be encouraged. The FHA bulletin stated that homes without air conditioning will probably be obsolescent within a few years. It also quoted industry opinion that savings in heating, cleaning, laundry and medical expense would more than offset operating cost.

As for Carrier, we estimate that 1958 sales will be somewhat higher than those of the past year with a number of new products and expanding markets contributing to the advance.

Among these are a lightweight portable room air conditioner which heats as well as cools and also can serve as a dehumidifier. Available in stores on April 1, it can be installed by the purchaser. This unit is expected to introduce air conditioning to a public not previously reached, due to its low cost and wide range of use.

Also, Carrier soon will offer a new, more economical approach to central air conditioning of homes through its Thermo-center. This consists of a heating system designed for the simple addition of a one-piece unit for cooling and dehumidifying. In the lower-price residence market it will permit complete air conditioning for $600 to $900 more than heating alone.

We anticipate an increase in company sales of all-electric heat pumps for homes and small commercial buildings. These units extract heat from outside sources in winter, sending it into the building through the air conditioning system, just as they remove heat from inside during the summer and discharge it into the atmosphere.

We are also optimistic concerning a new gas-fired residential air conditioner which the company has designed and is now putting through intensive performance tests. However, that this product will not be reflected in 1958 sales.

In the area of larger equipment, Carrier shipments for air conditioning office buildings, hospitals and the like will be higher in 1958, with existing structures accounting for much of the gain. Another major source of Carrier business, the manufacture of large centrifugal air and gas compressors for the petroleum, chemical and related industries, will maintain the record level established in 1957.

An additional development of importance is a factory air conditioner, recently introduced, which cuts space requirements and virtually eliminates system cleaning and maintenance.

The most serious problem of the air conditioning industry today is the profit squeeze which is affecting so many segments of the economy. This is due to continued high corporate taxes, a rising wage and salary spiral, increased costs of certain basic materials, and soft prices resulting from excess productive capacity.

Turning to the longer range future, I predicted that air conditioning industry volume at retail would climb to more than $5 billion annually by 1962. And the areas of greatest promise are homes and manufacturing plants.

D. N. WARTERS

President, Bankers Life Company

While the year ahead will probably be a year of adjustment, we can look forward to a material strengthening of the basic foundations of our American way of life. It will be a year in which thrift will be rewarded and hard work receive greater recognition. Our present standard of living and our progress in the years to come depend on a stable dollar, an adequate amount of savings, and the willingness of citizens to give full value for the incomes they receive.

In 1957 business activity reached unprecedented heights. In the adjustments that are now taking place, we are seeing a correction of some of the excesses that always occur at the peak of a long period of rising activity. Without these periods of correction, our economy would become increasingly unstable and we would eventually face a serious depression. These periods of adjustment are unpleasant but they are the safety valves enabling us to continue the long-term growth of our free enterprise system. During the past decade, we have had continuously rising business activity except for minor recessions in 1948-49 and 1953-54. In 1948 and 1949, a stable level of consumption expenditures and government fiscal transactions moderated the decline in private investment. Recovery was complete before the Korean war. Expansion was extremely rapid during the Korean war—too rapid to be maintained when the war came to an end. Very sharp contractions in Federal outlays and business inventory investment were largely responsible for the 1953-54 decline. An important element of strength and recovery was provided by an increasing rate of consumption expenditures. In 1955 and 1956 the economy began another great burst of expansion which ended last year.

In 1958 the stimulating effect of increasing capital outlays and consumer expenditures on durable goods will be lacking. The probability is high that unemployment will rise significantly, personal income will fall, and consumption expenditures decline slightly. However, our country will benefit from a greater appreciation of the relation production must bear to cost. It will be a year in which greater efficiency will reduce the cost to the consumer of goods and services. We can all hope that the growing awareness of the dangers of inflation will increase the stability of the dollar. A greater appreciation of the importance of thrift will stimulate the accumulation of savings.

In this setting the new writings of the life insurance industry should be at least equal to those of 1957 and, perhaps, better.

It should be remembered that in each of the catastrophic years of 1932 and 1933, total premium income declined only about 3% and in the sharp 1937-38 recession premium income increased.

It is to be fervently hoped that recovery from the present decline will not be followed by another burst of rapid economic expansion and rising prices. If this cannot be avoided, it can at least be moderated by the restrained creation of bank reserves during recession and restrictive monetary policy during the early phases of expansion.

RICHARD WEININGER

President, Ward Industries Corporation

Despite a long heralded economic recession in the closing months of the year, 1957 will go in the history books as one of the most—if not the most—prosperous years of all time. Even those industries which fared poorest turned in performances beyond anyone's most optimistic hopes of a few years ago. In terms of gross national product, personal income and expenditures, 1957 was an all-time record year. The steel industry, which closed the year operating below 60% of capacity, still turned out more steel than in any year prior to 1955. In terms of steel consumption, the year was the best ever.


Richard Weininger

The current year seems likely to be one of readjustment, for the first six months at least. Most economists agree that the long term upward economic trend will be resumed around mid-year and that 1958 as a whole will be every bit as prosperous, if not more so, than was 1957.

Among the strong spots in the 1958 economy will be housing which, down 10% in 1957 to the lowest level in 10 years, is expected to rise by 6-8% this year, largely because of easier credit terms. Also plainly in store is a substantialy enlarged defense budget. Defense spending is expected to increase by $1 billion in the first six months of 1957 alone, an amount which should cushion the expected drop in other economic areas.

Over the longer term future, the outlook is indeed encouraging. The growth in population shows no sign of let-up. About 2.5 million persons are added to the United States citizenry each year. The formation of new families, still at a high rate, promises to expand significantly when the bumper crop of war babies born in the 40's reach marriageable age starting in 1960. If present trends continue, and there is nothing to suggest they will not, the increased population will enjoy larger incomes, greater leisure, and enhanced desires for new cars, gadgets, homes, services and the myriad of other things that make up the American way of life.

Among the many services which have benefitted and will continue to benefit from the changing tides of American prosperity is the laundry and dry cleaning field. The average United States wardrobe was never larger, nor has it been better cared for than now. Expenditures for laundry and dry cleaning services in 1957 are estimated at $15-$16 per capita compared with about $10 per capita 10 years earlier. Spurring the trend toward increased dry cleaning and laundry expenditures has been the growth in suburban living and the rise of laundry and dry cleaning establishments in suburban shopping centers. These small plants, incorporating a number of small laundry or cleaning machines, are designed for flexible expansion according to the growth in demand for services.

The Prosperity division of Ward Industries pioneered in the development of moderate and small sized commercial laundry and dry cleaning units which can be combined to form as small or as large a cleaning plant as desired. In the post-war era, such equipment has largely replaced the bulky, large capacity machines which formerly dominated the industry.

Another of Ward's divisions has also benefitted from the changing trends in American housekeeping. This division, Rexaire, manufactures home vacuum cleaner-conditioners. Since the war, the United States housewife has not been free to depend upon domestic help to clean her home and has turned to mechanization to make her manifold chores manageable and bearable. Ward's Rexaire division was among the first to promote the tank-type cleaner which has replaced the once popular upright type as America's most accepted cleaner.

Ward Industries in 1958 looks forward to continued gains in its Prosperity laundry and dry cleaning division as well as its Rexaire division. In addition, there are a number of prospects for growth through acquisition or merger. Some extremely attractive proposals are now under consideration.

CHARLES F. WILLIS, JR.

President, Alaska Airlines, Inc.

In a sense each new year seems more crucial than the year just passed, but 1958 impresses me as promising to be the most significant year in the history of Alaska Airlines and of the airline industry of our country.


Charles F. Willis, Jr.

Alaska Airlines shares with most of the American flag lines the problem of expanding service to meet steadily increasing traffic during a period when operating costs continue to rise. Most airlines are caught in this cost squeeze which is not only painful profit-wise but unless the profit trend is corrected will leave the lines without money to pay for new equipment and facilities.

Commercial airlines have acquired new equipment in recent years at the expense of their stockholders. The new equipment has permitted domestic trunklines to double their 1957 business over the volume carried in 1952. But the 1957 profit is less than half that of 1952. The problem will be compounded as airlines take delivery of jet aircraft. Domestic trunk lines have on order $2 billion of jet aircraft, an amount three times as great as the present investment in flight equipment. Even with the assistance provided by the guarantee loan legislation passed in the last session of Congress most domestic carriers can only meet these obligations by marketing securities which will be interesting to investors. And that will require fare increases.

The capital gains bill now being considered by the Senate will provide additional relief by encouraging many lines to replace aircraft. The measure which has already passed the House has been promised early action by Senate leaders. But it does not correct the real problem of inadequate rate and fare schedules. Airline fares in 1958 are lower than they were in 1938, yet during the 20 year period between the general price index has nearly doubled.

Our own line's operating picture is encouraging. Revenue passenger-miles of all Alaskan airlines increased 10.9% last year, while mail ton-miles increased 12.2%. Only cargo ton-miles fell off, and that decrease was almost wholly due to completion of most of the distant early warning installations in the territory. We expect commercial traffic to more than offset this decline during 1958. To meet expanding traffic opportunities our line is placing new equipment in service which has been custom designed for our routes. These aircraft will permit us to almost double our traffic, flying faster schedules at greater operating economy. Our sales efforts are being redirected to attract tourist traffic. As a step in this direction we have applied to the Civil Aeronautics Board for authority to operate to Irkutsk in the Soviet Union. Our present routes and experience in operating in the far north make the U.S.S.R service a natural step. We have pending an application to operate helicopter service to 75 points in the Pacific Northwest.

During 1958 we will be working to better our present service, and planning ahead to meet our responsibilities to serve the expanding commerce of Alaska, the postal service and national defense. Nineteen fifty-eight looks good for Alaska Airlines.

LANGBOURNE M. WILLIAMS

President, Freeport Sulphur Company

The use of sulphur in 1957 reflected the leveling off of business experienced by major consuming industries such as steel, fertilizer, chemicals, paper, pigments and rayon. Demand during the year declined slightly but remained near the record high established the previous year.


L. M. Williams

According to preliminary estimates consumption of sulphur in all forms in the United States was down about five percentage points from the record 5,780,000 tons consumed in 1956. Exports, however, were near the 1956 high of 1,650,000 tons.

Most of the sulphur consumed by the nation was mined by the Frasch hot water process from deposits in Louisiana and Texas with some being imported from Mexico and the remainder being obtained in various forms from other sources.

Approximately 80% of the sulphur consumed was converted into sulphuric acid and the balance was used in elemental form or in other compounds.

Total output of sulphur from all U. S. sources amounted to an estimated 6,900,000 tons, compared with 7,820,000 tons in 1956. Frasch sulphur alone accounted for 5,500,000 tons, down from the 1956 high of 6,425,000 tons. Of the remainder of the supply 525,000 tons represented elemental sulphur recovered from gases, 425,000 tons sulphur contained in pyrites, and 450,000 tons sulphur in other forms.

A reduction in the price of sulphur to meet general competitive conditions was announced by Texas Gulf Sulphur Company in September. Mexican producers had been offering sulphur at substantially under the U. S. scale. This announcement was followed by similar action by other U. S. producers. The price reduction amounted to $3 per ton, or somewhat over 10%.

Eleven U. S. Frasch process mines were in operation throughout the year, and a twelfth, the Damon property of Standard Sulphur Company in Texas, operated until April, when it was shut down. Texas Gulf remained the largest producer, followed by Freeport Sulphur Company, Jefferson Lake Sulphur Company, and Duval Sulphur and Potash Company.

Three new U. S. deposits are under development. The largest is Freeport's Grand Isle, a discovery of major magnitude located off the Louisiana cost in 45 feet of water six miles from the nearest land. Grand Isle will be the first completely offshore sulphur mine and will incorporate many unique features designed to make it one of the industry's most efficient operations.

A. G. WOODLEY

President, Pacific Northern Airlines, Inc.

The basic economy of the Territory of Alaska holds better promise in 1958 than ever before with air transportation holding a key position in the development of this vast land. Pulp and paper have taken a firm foothold in Southeastern Alaska, with a $50,000,000 plant in successful operation in Ketchikan and the construction of a $60,000,000 development just starting at Sitka. Several other major pulp and paper enterprises have been organized which will quickly transform undeveloped areas of Alaska into thriving and prosperous communities.


A. G. Woodley

Petroleum has entered into the picture this year with Richfield Oil bringing in a 900-barrel well on the Kenai Peninsula. Several major petroleum exploration projects are being initiated on a large scale in other locations, with indications that several hundred million dollars will be spent in the Territory by oil interests in the next few years.

Military construction, which leveled off somewhat during the past year, is expected to increase again with the new impetus on our ballistic missile program. Further development and additions to the DEW line projects and modernization of the major military bases are also in the offing.

Substantial interest has been demonstrated by stateside firms in the Territory's abundant mineral resources, with particular emphasis upon the strategic minerals. Uranium and chrome are being mined in commercial quantities for the first time and the mining and development of such basic metals as copper, iron, tin and cinnabar is stimulating the economic life of Alaska.

Some of the greatest undeveloped water-power sources on the American continent are located in Alaska and inherent with the ever-active search for low-cost hydroelectric power, the Territory will play an increasingly important role in further expanding the economy of this country.

The climate, natural scenery and abundant wildlife of Alaska offers a paradise for the vacation traveler and sportsman and has boomed the tourist business into the third largest producer of income in the Territory. The 1958 tourist travel will undoubtedly exceed all previous records as the season is being expanded into the early spring and late fall, with winter travel also on the increase due to the development of winter sports areas in the Territory.

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J. C. WILSON

President, The Haloid Company

There are more areas of uncertainty in the economic picture today than has been the case for several years. Among them are Federal Reserve Monetary policy, shrinking of corporate profit margins, disappointing performances of important industries, like automobiles and housing in 1957, increasing financial troubles abroad resulting in declining exports from this country, adverse trends of government, consumer and business spending for plant and equipment, and the action of the stock market. Even if most or all of these uncertainties are favorably resolved, the moderate downturn in general business activity which has been under way for several months will probably continue well into 1958. Consequently, I believe the general business picture for 1958 will be less favorable than has been the case for the past several years. The office equipment industry will, therefore, be operating during 1958 in the least favorable business climate of the past several years. It stands to reason that those companies with vigorous research and development programs for creating new products to provide savings in labor and materials, combined with progressive and effective marketing, will fare best. Generally, there will be a decline in the sales volume of older products through reduced usage and postponement of replacement purchases. Those companies which have strong new products may more than offset the decline in older lines, and so attain a measure of growth in 1958. In the absence of an extremely severe deterioration of general business, we believe that aggressive exploitation of our newer products can offset the anticipated declines in the older ones. Therefore, for our own business, we are budgeting modest increases in both sales and net income for 1958.

J. C. Wilson

STANLEY WOODWARD

President, The Ruberoid Company

Since the demand for housing remains strong, and because money is somewhat easier and terms more favorable, I think that housing starts will exceed 1957's. 1,100,000 housing starts in 1958 is being quite generally predicted. It is my feeling that this figure is just a bit optimistic.

Stanley Woodward

From year to year there are an increasing number of homes requiring repairs of one kind or another, so I believe that the home maintenance and repair market will be more productive. Because of this ever expanding market and the anticipated rise in housing starts, I believe that sales opportunities in our field will be good in 1958.

Of course, the amount of money available for both residential construction and for maintenance and repairs of homes, will depend upon whether or not personal incomes continue at around today's level. I think that they will since I do not foresee any radical change in the economic activity of the country.

C. E. WOOLMAN

President, Delta Air Lines, Inc.

The airlines are confronted by the most serious financial crisis which the industry has faced in a decade because of unrealistic fare levels still pegged at 1938 rates. Our product is simply not priced in relation to today's costs of doing business.

Because costs have been climbing faster than revenues, earnings have been sharply reduced—despite the efficiency of airline managements in increasing productivity through technological advances, while exercising rigid cost controls. Other industries, including other forms of public transport subject to Federal regulation, have fared better than the airlines because the price which they receive for their products or services has been permitted to rise as the cost of operations increased.

C. E. Woolman

The airlines are up against the fare barrier at a time when the industry is faced with the need to raise large amounts of capital to finance the jet reequipment programs to which we are committed. This is a problem which the Civil Aeronautics Board can—and must—meet with leadership and vision. Not only the healthy financial condition of the airlines, but the continued world leadership of U. S. commercial aviation is at stake.

Immediate relief is imperative in the interests of both the public welfare and the national security. I believe it will be forthcoming.

I believe we will see a continued rapid growth in airline travel and in the air shipment of cargo of all types. The growth curve may not be in a straight line, and the 1958 gain in traffic may be slightly less than the 14% increase of last year, as indicated by preliminary figures. But the trend will be upward. I expect a further rise in airfreight, which in 1957 registered an impressive 22% increase over the previous year.

In Delta's own operations during the past year, available seat miles were boosted 18.58% to a record 2.3 billion. Revenue passenger miles increased 17.7% to almost 1.4 billion, while passengers carried increased 12.46% to more than 2.7 million. Our load factor for the year averaged 59.70%.

Net income after taxes for the fiscal year totaled $2,622,000, equivalent to $2.34 per share. And during the year, four quarterly dividends of 30 cents per share were paid, enabling Delta to maintain the longest continuous dividend record in the industry.

Jet transport is an exciting prospect to millions who are already veteran air travelers, but it offers an even more thrilling prospect to the millions who have never flown. I believe that the jet airliners now being placed in production will stimulate flying like nothing ever has before.

The jet has captured the public's imagination. Everyone who flies in a jet transport will be sold on it. The jetliner will usher in the age of universal air travel, and in so doing will contribute to expanded world commerce and better international understanding.

Both can be powerful, persuasive forces for peace.

HENRY M. WRISTON

President, The American Assembly, Columbia University

All indications point to intense activity in the field of higher education in 1958. They also point to acute financial distress. In most areas of American life—in industry, in agriculture, for example—capital formation has been proceeding at an accelerating pace.

Among institutions of higher education intellectual capital has been expanding at an even more furious rate. Their responsibilities have been expanding and accelerating in all directions. The explosion of knowledge characteristic of the first half of the twentieth century gives evidence of wider expansion and more rapid acceleration during the second fifty years of this century. To master this tremendous mass of knowledge, to organize it, and incorporate it into the fields of instruction, would present, even in the best of circumstances, a tremendous challenge. In the light of the fact that capital formation in terms of structures and financial assets for eductional purposes lags far behind that provided for other fields, the problem becomes staggering in its dimensions.

Dr. H. M. Wriston

The expansion of population, a world-wide phenomenon, combined with social pressures peculiarly characteristic to America, presents the universities and colleges with prospective enrollments which far out-run the physical plants and the financial resources of existing institutions. Society has laid obligations upon them without supplying the means of discharging those duties.

It is an astounding fact that a smaller proportion of public and personal expenditure goes into education today than fifty or one hundred years ago. The word "astounding" is the weakest and mildest word appropriate in the circumstances. Never before in all history have our lives, our property, and our prosperity been so dependent upon higher education. That we should be niggardly in its support at this time, and in these circumstances, would be incredible if it were not a demonstrated fact.

In the last half century the expectation of life in the United States has been increased by about two decades. Tuberculosis has been mastered, polio is on the wane, diphtheria, scarlet fever, malaria, and other scourges have been all but conquered. All this has come through the research and the instruction of institutions of higher education. No other source of such advances was available. The gains in human life have actually overbalanced the losses of war. Yet the institutions responsible for this massive achievement are poorly supported.

The Federal debt and Federal finance are dominant factors in our academic life. Their wise and perceptive management is wholly dependent upon economists, skilled beyond the rudimentary principles which so long were adequate. There is absolutely no source of supply available except the universities and colleges. The preservation of peace, or the coming of the holocaust of war is in the hands, in the first instance, of diplomats who are in even more acute short supply than engineers and scientists. There is no source from which they can be drawn save the universities and colleges.

The entire technological development of industry, improved agriculture, the advances in merchandising, in short, our economic prosperity, depend upon the products of universities and colleges.

The last five years have seen some awakening to the urgency of these issues and an increase in available support. Nonetheless capital formation in the educational world lags far behind that of other primary industries. It can come, like other capital formation, only from the savings of individuals and corporations invested with faith in the future. Unless support is magnified and multiplied, the outlook for higher education in 1958 and the years to follow is bleak. There can be no greater folly than to agitate for "more scientists and engineers" while denying the prime producer adequate means to the desired end.

WILLIAM F. WYMAN

President, Central Maine Power Company

Industry in general started 1957 at high production levels, tapered off at mid-summer and finished out the year less actively than in 1956. Most observers consider 1957 as a "leveling-off" period as opposed to a depression.

"Business activity and standards of living were still at historically high levels," the Federal Reserve Bank of Boston reported in its November Business Review.

Wm. F. Wyman

"Yet the realities of rising costs and squeezed profit margins, shortened work weeks and layoffs, and rumors of cutbacks in government and business capital outlays, were generating some doubt as to the continuing strength in the boom. There were conflicting cross-currents of strength and weakness, with definite signs of slowdowns in some industries; yet in the aggregate not enough to warrant real alarm."

Electric Output Up

Production records of electric service companies are closely watched as one barometer of an area's activity, serving, as electric companies do, practically every industry, store, farm and home.

Central Maine Power Company's output of electricity in 1957 increased about 4¾% over 1956.

A CMP production milestone was reached in November when the company's output for the first time exceeded two billion kilowatt hours a year. Ten years earlier in 1947 slightly more than one billion kilowatt hours of electricity was sufficient to meet the needs of CMP's service area.

Such a rate of growth, which calls for electrical generating facilities to just about double every ten years, conforms with national averages. Expert predictions indicate that this rate of expansion will be projected for a number of years into the future.

Insofar as residential use of electricity is concerned, the average home in CMP's service area used 1,100 kilowatt hours in 1946 as compared with 2,669 kilowatt hours in 1956. Most homes have added lights and appliances and rewiring so gradually that the rate of expansion has not been fully realized. Then, too, the average customer paid almost one-fourth less for a kilowatt hour of electricty in 1956 than in 1946 with the result that increased use of electricity did not prove so costly on a unit basis.

CMP Construction

Increases in customer demands for electricity must be anticipated well in advance by electric service companies.

Central Maine Power's new Yarmouth Steam Plant on Cousins Island is our latest major addition. It's first generating unit, rated at 44,000 kilowatts, was placed in operation Dec. 6, 1957. A second similar unit is scheduled to start producing electricity in the spring of 1958. Ground was broken for this plant over two years ago, in October, 1955; from the planning stage and drafting tables required even more time before the plant was ready to serve Maine.

The Cousins Island site has been designed to permit further installation of generating units which could increase Yarmouth Steam Plant's capacity to an estimated 500,000 kilowatts. Central Maine Power also owns other sites capable of future development or expansion.

Last fall, ground was broken for the new 134,000-kilowatt plant of the Yankee Atomic Electric Company. CMP is one of the 12 New England utilities which have combined in this pioneer venture. Not only will the station generate electricity, but it also will provide valuable information on the operating efficiencies of atomic-fired plants under New England conditions.

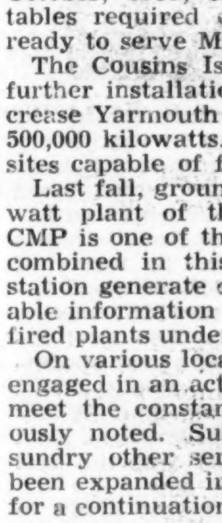
On various local scenes Central Maine Power has been engaged in an active program of enlarging its facilities to meet the constantly growing customer demands previously noted. Substations, pole lines, transformers and sundry other service installations and equipment have been expanded in recent years. Future construction calls for a continuation of this program throughout the system.

HOWARD I. YOUNG

President, American Zinc, Lead and Smelting Co.

Our principal business deals with zinc products, with an important segment in mined stone by-products and quarry operations supplying railroad ballast, highway stone, and agricultural limestone.

The year 1957, for industry as a whole, has been a satisfactory one. For the zinc industry, however, conditions were most unsatisfactory since the early part of May, when a substantial decrease in price was made by domestic companies whose production of slab zinc comes from foreign imported zinc concentrates. This reduction was due to the change in government policies, under which barter trades involved a substantial volume of agricultural products for slab zinc and other metals. The drop of $70 a ton in the price of slab zinc between May 1 and July 1 was one of the most radical drops in price that has occurred in the price structure over the past 30 years.



Howard I. Young

Since the severe price drop there has been a gradual adjustment in domestic zinc production, which forced

the closing of a substantial number of mines operating in Wisconsin, Tri-State Area (Missouri-Kansas-Oklahoma), and the Far West. It has also resulted in a substantial reduction of slab zinc output by a number of the domestic smelters. Even with the substantial reduced production, stocks of metal in the hands of producers have more than doubled since Jan. 1, 1957, and now stand at the highest figure reported since 1953.

Domestic consumption for the year was approximately 6% below 1956 and from this standpoint the situation in the industry was quite satisfactory.

Our prognostication for 1958, while not exactly unfavorable for a normal consumption year, does not hold any promise the tonnage will exceed that consumed in 1957. The principal industries consuming our products are: steel, brass, automotive, and household appliances. With the steel industry operating at between 60% and 70% of its rated capactiy there will be some reduction in the consumption of zinc in galvanized products. While the 1958 model automobiles on the average require more zinc per car than the 1957 models, we do not anticipate that consumption in this industry will exceed last year.

The outlook for consumption of zinc, both within the United States and outside the United States, is very good for the long range. Not only is there an excellent potential for increased use in the die cast industry—principally for automobiles and household appliances—but, in addition, the potential market for galvanized products is enormous.

The stepped-up research and development program adopted by the industry should produce new outlets and an expansion of present outlets. This program is being cooperated in by all domestic producers in conjunction with certain foreign producers and is sponsored by the American Zinc Institute.

The volume of our business for highway and street construction was vastly increased in 1957 and we anticipate that due to the accelerated road building program the volume in 1958 will show a further increase of from 10% to 20% over 1957.

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How American Business Can Profit From European Common Market

single territory. By this agreement, sovereign power to determine the delicate distinction between what can be sent through the international mail at the cheap rate of "printed papers" and what must be charged as a "letter," which are often puzzling to the public, depend on an international decision from which no individual country is in a position to vary.

The Forces Which Furnish the Underlying Support for the Economic Unification Of Europe

In order to judge the probabilities of success and hence the durability of the economic fusion that is taking place in the Six, we should examine the principal forces which furnish the drive.

Perhaps the principal force which is pushing Europe into economic unity is the new industrial renaissance or revolution which is now transforming life on the Continent.

The spectacular shift in power relationships, which has positioned Europe weak and alone between the two enormous superblocks, the Soviet Power on one side and America on the other, has stiffened the determination of the European countries to find strength through unity. This unhappy position of economic helplessness reached its low point in the Suez crisis, when Europe's principal source of energy was cut of. A reaction was found to occur which greatly accelerated the signing and the ratification of the treaty. Union of economic forces is the obvious answer.

The changed position of the European colonies in the Middle East and the Orient from dependencies to independent nations is forcing Europeans to compete for markets and for raw materials which they formerly controlled.

This result greatly strengthens the mutual desire of the Six to develop their own resources to the fullest, and to seek sources of energy in their remaining overseas territories. This development is evident in the near frenzy with which France is seeking oil in the Sahara. The Treaty contains the important feature of a development fund for the financing of the development of the resources of the overseas territories.

The United States economic and military support, and the pressure that went with it, encouraged the recipients to set up joint institutions, particularly at the economic level. Ardent Europeanists were disappointed that the United States did not insist at the time the Marshall Plan was instituted, when Europe was at its lowest economic and political ebb, that it unite politically and economically. In my view, the main virtue of the Common Market and The European Atomic Energy Commission (Euratom) plan is the fact that they are the result finally of strictly European initiative. This fact is important in determining whether the scheme is transitory or is likely to be permanent.

The current economic growth in Europe is rapid. It approximates twice the United States rate. With it has come a new distribution of incomes. A middle class is achieving rapid growth. This growth is based in the main on the spread of mass production and the new expansionist thinking. It has convinced both business and political leaders of the advantages of a single market. Growth is nourished by unity and unity is nourished by growth. A benevolent spiral has been set in motion that seems destined to transform Europe, and for that matter any other economically fractured area that is willing to approach unity on the economic level without at once trying to carry the millstone of political unity, which has so often ended in failure. The early demise of the European Defense Community as against the success of the Coal and Steel Community, and now the ratification of the European Economic Community and Euratom, seems to illustrate that economic unity is obtainable even where political unity is impossible.

The young people of Europe, even in France, are no longer interested in the story of ancient nationalistic glories. Their real interests have shifted to the destiny of Europe as a whole. This subtle change in attitude from the older generation to the new provides real hope for the success and permanency of these new supra-national institutions.

Lessons to Be Learned From the Common Market for Coal And Steel

The Community is certain to be a better customer than were its six separate countries. The context from which this Common Market Treaty comes strongly supports this view. Its immediate antecedent, in fact its progenitor, the European Coal and Steel Community, became operative in 1952. It is an unqualified success, by any measure that you way wish to apply. Between 1952, which was the last year before the intercountry tariff barriers were removed in coal and steel, up to 1956, trade by volume within the Six rose:

23% for coal
50% for Iron ore
145% for Iron and Steel
304% for scrap.

During this same period, the steel industry has made money. They have re-invested their earnings in the expansion of plant and equipment. The investment in the steel industry has increased by 50% during the four years.

Increased productivity has kept the prices of steel relatively stable despite the fact that wages of the workers have gone up approximately 30% in three years.

Perhaps the figures on the purchase of U. S. coal by the Community countries hold some meaning as we speculate on whether the Common Market means more or less business for us. The volume of coal purchases in this country by the Six has increased from 7 million tons in 1954 to an anticipated 45 million tons in 1957.

It has been said and often repeated that the fact that four major languages separate the peoples of the six community countries makes it difficult, if not impossible, to have a practical, effective economic union of the Six. On this point, Mr. Albert Coppe, Vice-President of the High Authority of the European Community for Coal and Steel, speaking at the Dallas world affairs week, on Sept. 29, 1957, said:

"Probably the only effect (of the use of four languages) has been that the speeches are becoming shorter and more plainly delivered because the window dressing of oratory translates badly or not at all."

Perhaps it would not be a bad idea to introduce a four language hurdle in this country. We should be willing to do so if we could feel sure that we could count on the same result as the fortunate Coal and Steel Community is experiencing in this behalf.

The Impact of the European Economic Community on United States International Trade and Investment

The European Economic Community will have a tremendous impact on the international business world. When the Treaty is fully operative, Europe will have in a single mass a market of 161 million people have an average yearly consumption at this date of some $500 per capita, and a gross national product of $125 billion per year as against our $400 billion.

The Community will be the largest importer in the world, larger than the United States. Its exports will be of a similar or of a greater magnitude. The advent of the Common Market will have a strong tendency to sustain and increase the present rapid economic growth. The advent of the Common Market is but one manifestation of the industrial renaissance in Europe.

The Six will have a common tariff which will operate against third countries, including the United States. This common tariff is to be the average of the rates now imposed. This means that the high tariff rates of France and Italy will be lowered. The lower rates of Benelux and Germany will be raised. This readjustment of external tariff levels will in some cases make it more difficult to bring in raw materials from America, say, to supply industry within the Six. European subsidiaries of American companies may be thus affected. Despite these readjustments in tariffs brought about by the averaging device, there will be, nevertheless, an overall reduction in the effective tariffs applied to the Community as a whole. Over the next ten years, the lower rates imposed by the Six will produce a maximum reduction of $100,000,000 in duties. Tariff protection for the Common Market countries may be necessary at this point. However, the whole philosophy of the Community is free trade and not protectionism. When the forces of free competition within the market have done their work, tariff protection will not be required and will be eliminated, depending, naturally, on what other custom areas, such as the United States and Commonwealth Nations, do in the matter of freeing international trade from tariffs, exchange controls and quotas.

United States international trade and investment is affected by this new and powerful economic force on at least four principal grounds:

(1) Exports from the United States to the Community countries will meet a common tariff which will be different from that which exists today. Because of the averaging feature mentioned earlier, tariffs will generally be lower than at present in the case of France and Italy and higher in Germany and Benelux. Thus, the German and Benelux markets may be harder to reach and the French and Italian easier. Some products, depending where their market is, will be favored and others will be punished.

(2) Community produced goods will provide more vigorous competition in the Common Market, in the U. S. domestic market, and in our traditional export markets in South America, Africa and Asia.

(3) Enormous sales and investment opportunities within the Community will be created by the new growth and development as a result of the suppression of the restraints on the free movement of goods, labor, services and capital within the Six, and by the elimination of cartels and similar restrictive arrangements.

(4) The advent of the European Atomic Energy Community (Euratom) and its program of development will provide U. S. exporters with the greatest mass market ever known. The availability of this new source of energy within the Six will stimulate all kinds of business developments. This new but highly competitive marekt is available to American supply lines if the competitive factors can be solved. Certain American products will remain competitive and others will not. Those that survive may have to change their method of operation.

The European Investment Bank

Among the several unique institutions which are provided for in the Treaty there is one in particular which should be noticed, The European Investment Bank. This institution is to be an independent jural person, corporate in nature, whose shareholders are the six nations of the Community. In the language of Article 130 of the Treaty, its task

"shall be to contribute, by calling on the capital markets and its own resources, to the balanced and smooth development of the Common Market in the interests of the Community. For this purpose, the Bank shall be granting loans and guarantees on a non-profit making basis facilitate the financing of the following projects in all sectors of the economy:

(a) projects for developing less developed regions,

(b) projects for modernizing or converting enterprises or creating new activities . . . where such projects by their size or nature cannot be financed by the various means available in each of the member state; and

(c) projects of common interest to several member states which by their size or nature cannot be entirely financed by various means available in each of the member states."

Given the great hunger for capital in Europe in common with "The Association of Overseas Countries and Territories" of the six nations, the role of this new Bank can be critical in the development of the Common Market.

It is not without significance Mr. Pietro Campilli of Italy is at this writing prominently mentioned for the post of President of the Bank. No doubt the whole program of the Italian Government for the economic development of the South of Italy will be financed in a large part by this new credit institution.

The year 1957 saw an expansion of a half billion of dollars of American private investment in Europe. The advent of this new bank could bring much stability to the financial scene in that part of the world. One result might well be the gross expansion of direct U. S. private capital investment in the area. Already close to $40 billion worth of goods a year are being manufactured by U. S. owned subsidiaries and branches abroad. This is twice the rhythm of exports from this country. This is a sign of the times.

The Changing Pattern of Trade

On the hypothesis that we must now deal with an economically united six nation group, what can the international trader and investor do in order to preserve his present position and participate in the future advantages which the Common Market is expected to yield?

It would seem evident that as a general rule, it is going to be more difficult for an American firm to develop or maintain a market within the Community based on simple export from the United States. This is a generalization. There no doubt will be many specific product exceptions. The general rule, however, follows from the two factors already mentioned: (a) the advent of the common tariff as to third countries, which means that certain commodities which now reach Benelux and Germany with low duty or duty free will be required to pay a higher charge equaling the arithmetical mean presently extracted by the Six; and (b) the intensified competition which the revitalized industry within the Six operating in common, free, competitive market will afford. Of these two factors, the first will be felt immediately. The second will come later and perhaps not until all the restraints on the free movement of goods, services and capital are removed, which might take as long as 15 years, although in France modernization and mergers in several key industries, with an eye on the new competitive conditions of the Common Market, has already taken place. In such cases (the merged and modernized industry within the Six), the impact of their newly acquired competitive position will be felt immediately.

In order to participate in the good things which the Common Market is to bring, American business can take three routes: direct export, direct investment in production facilities within the Common Market, or entering into some kind of contract manufacturing or licensing arrangement whereby the technical skills, patents and trademarks of the U. S. business are put at the disposal of

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some going concern within the Six for a fee.

Let us now consider changes which may be necessary in the pattern of simple exporting in order to remain competitive under the new conditions which the Common Market may impose.

There are several factors which will place the American exporter at a disadvantage vis-a-vis a competitor who manufactures within the Six, for a share of the common market. The brief comparison between an American exporter on one hand and a German manufacturer on the other, both exporting to France, Benelux and Italy, will illustrate the problem.

Up to the advent of the Common Market, the German manufacturer exporting his goods to the other five community countries was confronted with the same customs barrier as his American competitor. He had essentially the same problem with exchange controls and quantitative restrictions. His difficulties with discrimination in transportation charges were similar to those encountered by his American competitor. Now this situation is going to change radically in favor of the German manufacturer. As the internal tariffs within the Six are taken away, as exchange restrictions are removed, as the discrimination against imported goods in transportation rates and practices are eliminated, the German manufacturer will be in a happy position as compared to his American competitor. The American competitor will still have to cope with tariffs, exchange restrictions, quantitative limitations, but probably not with prejudicial transportation rates. The greater distance which the American goods must travel is an additional, and probably one of the biggest, disadvantages which will weigh against the American exporter. What can be done to overcome these adverse changes in the competitive situation?

For one thing, it is expected that a much greater use of the free port idea will be made by American firms than has heretofore been the case. Fortunately, the facilities for this type of operation could hardly be better than they are today in Belgium and The Netherlands. It is possible to ship products from the United States in bulk into the Free Port at either Rotterdam or Antwerp, and finish and re-package the product for delivery in smaller quantities to customers in the various markets. This puts the supply very much closer to the customer at lower transportation costs. It makes the goods available for delivery to the customer in a matter of hours rather than days or months. No duty is imposed on the Free Port goods by the host country. Naturally, not every type of product or business will be able to utilize such an operation as this, but some will be successful. In fact, many are already operating in this fashion now.

In connection with the Free Port operation, it is expected that in a number of instances, parts can be mass produced here in the United States and Canada, shipped in bulk to a Free Port, and assembled into the finished product, using the cheaper European hand labor in the process. This pattern of operating is likewise in use today. A published account of such a pattern is found in the Aug. 20, 1957, issue of Business International, where the story of Outboard Marine's Belgian operations is told.

Much emphasis is going to fall on new combinations of American technical skills, capital to be found within the Six, and cheaper European labor. Many new combinations will grow up in cases where American firms cannot reach the market within the Six by any method except manufacturing locally, but they do not have either the capital or the man power to set up a manufacturing establishment of their own. In some cases, the employment of an established local firm to produce the product at a contract price, for merchandising by the American firms' organization, may provide a solution. This method leaves the U. S. firm in control of the market. This is important in view of the possibility which always exists that the goods may flow into export markets in competition with those produced at home.

Straight out-and-out licensing of patents, trademarks and know-how is a common practice today. It is due for a sharp increase with the advent of the Common Market. This method of operating is hazardous unless there are elements present, other than the legal documents, which make it very inconvenient if not impossible for the licensee to take off alone once he has the know-how and the market. Where the substance of the arrangement is a continuous and vital flow of technical information and skills, without which the licensee cannot operate, the obvious haazrds of this pattern of operations are reduced. Unfortunately, not many U. S. businesses are so situated.

In the greater number of situations and in the long run, neither exporting from the United States nor the licensing of know-how, patents, trademarks and intangibles to an existing firm within the Six, nor contract manufacturing is going to counteract the new competitive factors which the advent of the Common Market brings to the aid of the competition that is certain to develop very rapidly within the Comunity. Full manufacturing facilities within the Common Market itself seems to be the only long-range solution. This solution, however, requires man power and capital, the latter being perhaps the most critical.

How, then, may the American businessman, confronted with these new developments, organize his business so as to hold the markets which he has and to take advantage of the new opportunities which it is expected that the economic union of the Six will create? How can American international business adjust itself, from the standpoint of corporate organization, not only to the advent of the European market but to the new economic federations that exist in Central America and are on the lip of realization elsewhere?

There may be several answers to these questions. Space and time is available, however, for a discussion of only one or two suggestions. First let us examine briefly the thrust of the Common Market idea.

The Movement Towards Economic Federation Is Not Confined to Europe

American businessmen work every day in the largest and most important economic federation in the world. Here in America we enjoy the benefits of a common market consisting of the geographical scope of 48 sovereign entities joined in not only an economic federation but in a political federated union as well. In that respect, at least, we are the envy of much of the world. It is reasonable to expect, therefore, that other areas which, like Europe, are victims of economic fragmentation will strive for economic union in order to obtain maximum productivity through the technique of modern mass production and thus raise their standards of living.

The four most striking examples of economic federation and unification are found in Europe, the Benelux Agreement, the European Community for Coal and Steel, the European Atomic Energy Community (Euratom), and the European Economic Community (The Common Market). The movement, however, is not confined to the Continent. Economic unification is today a movement of great force, and it is still in its infancy. It is impelled by the realization that productivity is the key to prosperity and economic strength, and that modern methods of mass production require mass markets in order to reach maximum productivity. The United States and Soviet Russia have outstripped or are in the process of outstripping Europe in economic development simply because their economies are being developed on a continental basis.

Businessmen interested in international trade and investment must expect to deal with economic federation and unification in many parts of the world. This movement looms as the large factor in international trade and investment of the future. Therefore, let us make an inventory of the present span of the idea.

On Oct. 20, 1957, The Committee for Scandinavian Economic Cooperation delivered its 1300 page report to the member governments, spelling out for the first time on a product by product basis a proposal for the economic unification of Denmark, Norway, Sweden and Finland.

In the Western Hemisphere perhaps the earliest Common Market was created by a Treaty between the two Central American countries, El Salvador and Honduras. This agreement was made in 1918. It has recently been modified, brought up to date, and greatly extended.

El Salvador has made similar bilateral agreements with Guatemala, Nicaragua, and Costa Rica. The result is that El Salvador has established a common market, which includes all five of the Central American countries, of which it is the focal center. The mechanism, however, is bilateral and not multilateral. Tariff and other barriers between El Salvador and the other four are removed. Tariffs between the other four remain, however. Nor is there a common tariff against third countries. The Treaties do not, therefore, result in a Customs Union or the creation of a supranational authority which is characteristic of the European Coal and Steel Community, The European Economic Community and The European Atomic Energy Community.

The practical effect of this series of bilateral agreements is that products of El Salvador can enter each of the other four Central American countries and the goods of those four countries may enter El Salvador free of duties and quantitative restrictions.

This Common Market regime of which El Salvador is the center should be very interesting to United States businessmen, particularly in connection with the fact that the corporate income tax rate in that country is 5% and is territorial in its application. Unfortunately, the existence of this Central American economic union has been too little known, and hence too little used.

Guatemala has a Common Market agreement with Costa Rica, El Salvador, and Nicaragua.

Costa Rica has a Common Market arrangement with El Salvador and Guatemala.

In February of this year, a draft agreement of a regime for Central American integration of industries was approved by the Central American Economic Cooperation Committee composed of representatives of the five Central American governments, Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica. The Treaty has been sent to the respective governments for ratification. It is anticipated that ratification will be a fact by the middle of 1958.

The ultimate objective of this Treaty is the economic integration and unification of the five component countries, based upon a Common Market. The advent of a Common Market in Central America will greatly accelerate the economic growth of that area. It is time to plan now for the radical changes which this Central American Common Market will bring. Some American companies have already taken positive steps to adjust to the change.

Two important meetings were held in South America last year, one in March at La Paz, Bolivia, of the United Nations Economic Commission for Latin America, and the other in August at Buenos Aires of the Economic Conference of the Organization of American States. At these meetings, intense interest was shown in regional economic unity based on the Common Market concept. It is not at all unlikely that in time, regional unity based upon the Common Market and Customs Union principle will be adopted by the Argentina, Brazil, Bolivia, Chile, Uruguay and Paraguay.

The latest in common markets is an agreement signed Sept. 3, 1957, between Egypt and Syria. The simplicity and terseness of this document (it covers a page and one-half) is in sharp contrast with the complicated and elaborate European Economic Community Treaty. The European Common Market Treaty and connected documents occupies a book of 378 pages. The explanation of this difference lies in the fact that Egypt and Syria have few, if any, products to exchange, hence, few compromises to make.

Choosing a Company Vehicle With A View to Meeting the Challenges Of the Common Market

My thesis is that the only permanent long run answer for the American international trader or investor, if he seeks to protect his interest in the markets of the European Economic Community and in the numerous other common markets in being or in formation is to establish manufacturing facilities within them. The principal drawback to this suggestion is that it requires capital. Unfortunately Congress has not supplied the American international business community with a company form which, from the Federal income tax standpoint, would permit the plowback of earnings free of taxes. The principal source of capital for foreign investment is and must continue to be the profits earned in international trade and investment itself.

The present state of our tax law was lamented by Vice-President Nixon in his address to the International Industrial Development Conference in San Francisco on Oct. 16, 1957, where he said:

"When tax revision becomes feasible, the Congress should pass a tax reform which the President has twice urged. He would extend to investors in other parts of the world the 14-point income tax credit from which Western Hemisphere Trade Corporations are already eligible.

"The Congress should also consider the feasibility of passing a tax reform similar to one adopted by the United Kingdom a few months ago. This would defer U. S. taxes on income and profits earned entirely abroad until they are actually paid in dividends to stockholders of the parent company. It would give American overseas traders and investors the same encouragement some of them now seek by incorporating abroad. It would immediately increase the funds available to such companies for additional foreign investment, yet in the long run the U. S. Treasury and foreign treasuries would also gain by the tax on income from a larger investment base."

Mr. Nixon here in substance has repeated what President Eisenhower has twice told Congress.

In any case, if American business wishes to postpone U. S. tax on foreign earnings it must go outside the United States to form its international trade and investment vehicle. This is a common practice. Many holding companies are formed abroad for the purpose of postpoing U. S. income tax on the dividends of foreign operating companies, thus making the funds available for reinvestment. Foreign trading companies which purchase goods in the United States and other countries and sell those goods abroad have been formed and are in current use for the same purpose, i. e., the postponement of U. S. tax on the profits, thus leaving them available for investment abroad. For convenience, let us hereafter refer to such foreign corporations as base companies.

A base company, according to the definition of Mr. William J. Gibbons in his book published last May by Harvard Law School, "Tax Factors in Basing International Business Abroad," is a company organzied in a country which imposes only negligible income taxes, or no taxes at all, on the income of its domestic corporations derived from sources outside that country.

To illustrate the importance of proper company organization, let us suppose that an American source licenses its patents, trademarks and know-how to a German company. If the license runs directly from an American to a German company, the resulting income will be taxed at a minimum of 52%, even though that income is never actually brought back to the United States but is invested in the Common Market area or elsewhere outside the United States. In contrast, if the American company should handle the same transaction through a properly selected and organized base company, the tax burden imposed by Germany can be properly avoided altogether and the United States tax can be legally and properly postponed until the profits are actually brought back to America and made available to the stockholders.

Mr. Gibbons says in his book that there are 40 countries in the world which qualify in some degree as base countries. In present context, however, we seek one having special relevance to a Common Market and to the Common Market idea.

Earlier in this paper it was pointed out that El Salvador is the center of a common market and that its income tax law is territorial, i. e., it applies only to income earned within the country.

If an American firm should organize a base company subsidiary in El Salvador, it could operate in that common market with an income tax cost measured by the mild rate of 5% imposed on that portion of the company's income derived from sources within El Salvador. The income earned in other countries would not be taxed by El Salvador. If the activities of the company outside of El Salvador were conducted without the location of a what would amount to a permanent establishment in said countries, no tax would be due those jurisdictions.

If El Salvador were selected as a base country and a base company subsidiary were organized therein, that subsidiary could, in addition to the operation described in the preding paragraph, carry on activities and earn money in Europe with the Common Market

countries. Its activities in Europe could be carried on through a branch established in one or more of the Six. In this case, a previous arrangement would need to be worked out with the Common Market country selected as a situs of the branch, in order to establish the portion or percentage of the base company's world-wide income to be allocated to the establishment located in the Common Market host country. This operation would be confined primarily to a trading or merchandising business, which might purchase merchandise in the United States, Canada or elsewhere, and make a sale thereof in the countries of the European Common Market and other areas.

In considering the use of a base company that is to have a permanent situs in one of the countries of the Common Market Community, there is a very serious pitfall that should be warned against. It has its origin in the selection of the base country and turns on the fact that if the base company has a branch in one of the Six, which are all civil law countries, and if it conducts no business in the country where it is organized, if it has nothing there except its paper charter, then there is danger that the host country will apply its own law as the personal law of the company and treat it not as a foreign corporation at all, but rather as a domestic corporation, i. e., a creature of its own law, and tax it on its world-wide income. Depending upon the rates of the host country, this could be a serious matter.

The nearly universal rule among civil law countries is that the personal law of a private company is that of the state in which it has its center of administration and control. If it does no business in the country where organized, it may not be recognized as a legal entity of that domicile.

Rabel, in *The Conflict of Laws; a Comparative Study*, volume II, at page 37, provides a full list of the countries subscribing to this rule, among which are nearly all the continental and many Latin American countries. Many base companies have been formed in countries where no business exists; others have been formed in jurisdictions whose laws are so drawn that if the company carries on business therein, it is taxed on its world-wide income. Hence the company performs no function in the base country. In each of these cases the contact of the base company with the country of its domicile is limited to having received its charter therein. In view of the civil law rule above noted there may be an unhappy sequel in a number of these cases.

The selection of El Salvador as a base country and the operation within that country of the business for which that company is formed, would avoid this problem, regardless of what activities the corporation may carry on in third countries.

The most practical reason for thinking in terms of a base company operation in connection with the European Common Market and other similar economic aggregates is the fact that our competition in Europe have base company facilities available to them in the operation of their own laws. European competition are extremely alert to the necessity of minimizing tax as well as other costs of doing business in international trade. If we are to remain more or less competitive, we must use the most favorable legal forms extant, particularly when it is patent that as an operational tool in international trade, the base company has points of superiority over a domestic corporation.

Conclusion

The material examined in this paper permits us to draw some conclusions, among them:

(1) The economic unification of fragmented areas is a growing movement of great promise and strength. The advent of the European Common Market will require definite changes in the business patterns of American International traders and investors if present markets within the Six and other common market areas are to be held and if U. S. interests are to participate in the enormous growth potential of those markets.

(2) The experience of the European Coal and Steel Community demonstrates that the creation of a sovereign authority superior in the areas of its competence to the nations which gave it birth, is a practical idea of very great merit.

(3) Increase in standards of living depends upon increased productivity. Maximum productivity depends on mass production. Mass production depends upon a mass market. Mass markets in Europe depend upon economic unification.

(4) The dominant motive of U. S. foreign economic policy, multilateral freer trade everywhere, may be sacrificed if the free world breaks up into restrictive, closed, protectionist, regional blocks. Europe can be integrated economically in ways that increase barriers to trade between Europe and the rest of the world. GATT, if supported wholeheartedly by the United States, provides the means of avoiding the barriers to international trade which could otherwise grow out of the formation of economic blocks such as the Six and its associated Free Trade area consisting of the O. E. E. C. countries, the Trade Zone of the Nordic countries (Denmark, Sweden, Norway and Finland) and the Central American Economic Union.

(5) The most useful and practical company form to employ as a vehicle to operate in or with common market areas is one organized in a common market country whose company and tax laws are suitable for that purpose. El Salvador seems to qualify as a base country; this is not to say that there are not others.

$75 Million Bonds of Pacific Gas & Electric Offered to Investors

The First Boston Corporation and Halsey, Stuart & Co. Inc. head a group of underwriters which offered $75,000,000 Pacific Gas and Electric Company first and refunding mortgage bonds, Series CC, 3¾%, due Dec. 1, 1978, at 101.457 and accrued interest, to yield approximately 3.65%. The group was awarded the bonds on Jan. 21 on its bid of 100.569.

Proceeds from the sale of the bonds will be applied toward the cost of additions to the utility properties of the company and to retire short-term bank loans incurred for temporary financing of such additions.

The Series CC Bonds may not be redeemed prior to Dec. 1, 1962, through refunding at an interest cost less than that of these bonds. After that date, the bonds may be redeemed at prices beginning at 104.84%.

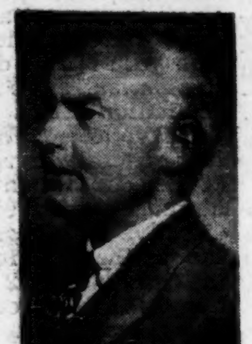
Pacific Gas and Electric Company is an operating public utility engaged principally in furnishing electricity and gas throughout most of northern and central California, a territory with an estimated population of approximately 6,250,000 which includes San Francisco and its environs. For the twelve months ended Sept. 30, 1957, the company reported that over 65% of its gross operating revenues was derived from the sale of electricity and over 34% from the sale of gas.

James Nowell

James Nowell, limited partner in Paine, Webber, Jackson & Curtis, passed away January 8th.

San Francisco Div. Of Coast Exchange Elects Officers

The annual meeting of the San Francisco Division of Pacific Coast Stock Exchange was held Jan. 15 for the election of Chairman of the Board, three members to serve two years, two members to serve one year, and the election of a Nominating Committee to serve during the ensuing year.



George W. Davis

George W. Davis, of Davis, Skaggs & Co., was elected Chairman of the board to serve for one year. Warren H. Berl, Sutro & Co.; George J. Otto, Irving Lundborg & Co.; and Scott H. Stewart, Jr., Shuman, Agnew & Co., were elected members of the Governing Board to serve for two years, and Daniel J. Cullen, Walston & Co., and Richard P. Gross, Stone & Youngberg, to serve for one year.

In addition to Mr. Davis, Chairman, the carryover members are Calvin E. Duncan, Calvin E. Duncan & Co., and Ronald E. Kaehler, President of the San Francisco Division.

The Exchange members elected the following to serve on the Nominating Committee for the current year: Earl T. Parrish, Parrish & Maxwell, Chairman; William H. Agnew, Shuman, Agnew & Co.; Charles H. Clay, Dean Witter & Co.; Mark C. Elworthy, Mark C. Elworthy & Co.; Marco F. Hellman, J. Barth & Co.; and Joseph A. Johnson, Lawson, Levy, Williams & Stern.

At the conclusion of the annual meeting the new Governing Board held its first meeting, and elected Warren H. Berl Vice-Chairman. The board filled the vacancy created through the election of Mr. Davis as Chairman of the Board by the appointment of Emmett A. Larkin, of Eastland, Douglass & Co., Inc. to fill the unexpired one year term.

Halsey, Stuart Group Offers West Texas Utilities Co. Bonds

Halsey, Stuart & Co. Inc. heads a group of underwriters offering $8,500,000 West Texas Utilities Company first mortgage bonds, series E, 3⅞%, due 1988, at 101.335 and accrued interest to yield approximately 3.80%. The group was awarded the bonds on Jan. 20 on its bid of 100.46.

Proceeds from the sale of the bonds will be used to pay part of the cost of additions, extensions and improvements of the company's property and to pay short term bank loans incurred for that purpose.

The bonds may be redeemed at the option of the company, beginning Jan. 1, 1959, at prices ranging from 105.21% to 100%; for debt retirement purposes, beginning in 1959, redemption prices are scaled from 101.32% to 100%, plus accrued interest in each case.

West Texas Utilities Company supplies electricity in 49 counties in central western and southwestern Texas, including the cities of San Angelo and Abilene.

Newhard, Cook Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Norman A. Bell is now affiliated with Newhard, Cook & Co., Fourth & Olive Streets, members of the New York and Midwest Stock Exchanges.

Securities Salesman's Corner

By JOHN DUTTON

The Needle Is Now Rusty!

(Written January 16, 1958, the day after the Federal Reserve lowered margin requirements on common stocks from 70 percent to 50 percent.)

Once upon a time there was a promising and growing young man who's name was Uncle Sam. During his adolescence he did what many other strong and vigorous youngsters have done in the past —he went off on one great big bender and when he woke up he had a bad case of indigestion, shaky nerves, and a run down condition. Although he was temporarily incapacitated, somewhat anemic, and he had one whopper of a hangover, he was basically healthy. However, he became frightened about his physical condition and someone told him to go to see a doctor. Again like many other foolish youngsters, our friend Uncle Sam didn't visit reliable M.D. that would have told him to go on a solid diet of good food, hard work, and a self-control over his finances and his emotions. That would have solved his problems permanently but it would also have meant that Uncle would have to develop some will power and determination. No, Uncle heard an ad on the radio and he went to see another Doc. This Doc also had a prescription for him and Uncle liked it better.

Ushered into a lavish office, with pretty nurses all over the place, and a nice soft cot for Uncle to recline upon, he said to himself, "This is the Doc for me." So he rolled up his sleeve and put out his arm and the smiling Doctor took out a bright new shiny needle, with a gold plated Eagle engraved upon it and let him have it. Almost immediately Uncle felt better. What an elixir this Doc had prepared. Nothing to it. No self denial. No strict diet. No hard work. Just come in and lie on the cot, smile at the pretty nurses, and let the Doctor give you another shot any time you felt low. Why bother getting off the stuff? This was the life. Spend, waste, give away, raise hades and hip-hip-hooray — See the Doctor and when you feel low again roll up your sleeve and take another shot.

Well, Uncle has been at it since 1932. That is almost 25 years now and with the help of two wars, a $275,000,000,000 national debt, subsidies for every pressure group in the land, the growth of a gigantic labor monopoly, the giving of $105 billion more of our wealth to other lands (including our Communist friends in Yugoslavia and Lord knows how many billions to others of the same stripe all over the world), we have now come to the point where Uncle who is quite a bit older (but none the wiser) is in need of a Doctor again.

You would think that after all this, plus 25 years of experience with every kind of quack remedy under the sun, that Uncle would at last get some sense into his head and go to see a real M.D. who would tell him the truth and straighten him out. But no—not Uncle, he's still going back to the old fellow with the needle. The only trouble this time is that the first Doc has passed away. The office is in the same old place and there are some new nurses around, but there is a new "get you well the easy way Medico" on the job. He took over some years ago.

Uncle has a real hangover this time. Symptoms—More debt, more loafing on the job; more big labor monopoly; more and higher taxes; more farmers receiving cash for not raising their crops; more loafers on the Government payroll; more shiny new chromium plated cars with too much horsepower for anyone's needs; more spoiled children who have too many toys and too little time for study; more and higher taxes; more bureaucracy and governmental strangulation of business, and Lord knows what else, plus billions upon billions of instalment debt to pay for gadgets that Uncle could well do without. And what did the old quack with the needle say this time?

With a smile he turned to Uncle and said, "Don't worry Unck old boy, you don't have to do it the hard way. You can get well without trying, just smile at nursy while I put this 'beat up' needle right back in your arm (if I can find a place where there aren't already some holes) and you just wait and see, all will be well again." So with that he gave Uncle a jab of the same old serum —lowered rediscount rates, promises of reduced reserve requirements, and that always reliable snake oil magic known as increased Federal debt, deficit financing, and more give aways to Europe.

And woozy old Uncle, now not so young anymore, nor nearly so vigorous and strong, gave the Doc a weak smile and said, "Shove it in again Doc, and this time add a little of that other good old vitamin Doc Roosevelt used to give me when I came in with a hangover, you know that stuff, don't you?" and the Doc, smiling, nodded. Reaching up on the shelf he picked up his syringe and shoved it into a bottle labeled REDUCED MARGIN REQUIREMENTS. Then he gave Uncle another shot right up to the elbow—and what do you think happened? This time Uncle sat up, his head bobbed, his eyes opened and for an instant he almost sobered up, but it only lasted for a fleeting moment. With a gasp he fell backward on the couch, closed his eyes, and murmered, "For God's sake Doc, haven't you got something stronger?"

To Conduct Inv. Course At Lynbrook High School

Emil N. Haddad, registered representative with Harris, Upham & Co., 445 Park Avenue, New York, will conduct a 10-week adult education course at Lynbrook High School, Atlantic Avenue, Lynbrook, Long Island, beginning Wednesday, Jan. 22 from 8 to 10 p.m. on the subject "Why Stocks and Bonds?"

The two-hour classes, to be conducted on successive Wednesdays through March 26, will treat, in order: Types of Securities—Risks & Rewards; The New York Stock Exchange and The Broker; Objectives of Your Investment Program; Information Investors Should Have and Where to Get It; How to Read the Financial Page; How to Read and Interpret Financial Reports; Sound Methods of Investing; Advance and Speculative Investing Techniques; and Summary and Conclusion.

To Be Goldberg Partner

On Jan. 28th, Elmer M. Bloch, member of the New York Stock Exchange, will become a partner in H. L. Goldberg & Co., 11 Wall Street, New York City, Exchange member firm. Mr. Bloch was formerly a partner in Cahill & Bloch, Smith & Gallatin.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

One outstanding characteristic of the New York City bank stocks in recent years has been the fact that they have become better values as time passed, as measured by their relationship of earnings to price. The 13 leading banks in 1952 had an average price-earnings ratio (i.e., price-operating earnings) of 13.8 to 1. In 1957 this ratio was 11.0 to 1. If we were to use pro forma data where there have been major mergers (National City-First National; Chase-Manhattan; Chemical-Corn Exchange; and Bankers-Public) the difference between the two periods would be more outstanding; the merged units in the earlier period showed higher ratios than the surviving bank, except in the case of Bankers-Public.

The following tabulation brings out the marked difference between 1952 and 1957:

Price-Earnings Ratio*

	1952	1957
	—Times—	
Bankers Trust	13.6	10.9
Bank of New York	13.1	10.1
Chase Manhattan	13.0	11.3
Chemical Corn Exch.	13.1	11.3
Empire Trust	14.2	8.8
First National City	13.6	11.7
Guaranty	17.4	12.8
Hanover	13.1	10.5
Irving	14.9	11.1
Manufacturers	12.3	9.9
J. P. Morgan & Co.	14.0	10.5
New York Trust	13.6	12.5
United States Trust	13.5	10.4

*The number of times that price bears to operating earnings at the respective year-ends.

Particularly noteworthy in this tabulation are the performances of Empire, Guaranty and Bank of New York.

Let us bear in mind that in almost all of this period, 1952-1957, the corresponding ratios of the industrial Blue Chips were being run up to all-time high price-earnings relationships. But since last July, these highs among the top grade industrials have been undergoing a sharp correction and have been approaching a much more realistic basis than existed when the Dow average was at about 520.

The significance of the performance of the bank shares is that, as defensive media, they are among the best acting groups. Besides this, they give the conservative investor a very satisfactory return. Also, while in 1957 the Blue Chips underwent such a sharp correction in their price-earnings ratios, the banks even improved their position, for in every instance the 1957 year-end showings were more favorable *vis-a-vis* 1956.

This showing is reinforced by the fact that the average rate of earnings on year-end book value in 1952 was 7.2%; in 1957 it was 9.3%, a marked percentage improvement. Good showings were made by all, but particularly good were the results of Bank of New York, Irving and United States Trust. In the 1957 year only two of the banks showed a lower rate of earnings on book than in 1956, First National City and Chemical Corn Exchange. These two banks raised new capital funds by subscription rights in 1957, City in June; Chemical in October. They therefore did not have the use of the new funds all year, which influences their showing adversely.

Rate of Earnings on Book Value

	1952	1957
Bankers Trust	6.0%	8.9%
Bank of New York	6.3	10.2
Chase Manhattan	7.4	9.3
Chemical Corn Exch.	7.8	8.6
Empire Trust	9.2	11.0
First National City	6.9	8.2
Guaranty Trust	5.6	7.6
Hanover Bank	6.4	9.2
Irving Trust	6.7	10.6
Manufacturers Trust	7.8	9.7
J. P. Morgan & Co.	7.8	9.9
New York Trust	7.2	8.7
United States Trust	6.5	8.6

In 1952 probably no informed banker would have predicted as high rates of operating earnings on invested capital as have come about. Back at that time they had neither the "high" interest rates nor the high volume of loans. We quote the word "high" as there are still some people who consider present rates high. Let them have a look at Britain's discount rate, or the going rates generally in other countries. Or should we introduce them to the prevailing rates of the 1920's?

Chester Lucas Honored On Relirement

LOUISVILLE, Ky.—Chester A. Lucas, formerly manager of the investment department of Stein Bros. & Boyce, Louisville, was honored at a steak luncheon given by Thomas Graham of the Bankers Bond Company on the occasion of his retirement. Mr. Lucas and his wife plan to live in Naples, Florida, where Mr. Lucas will continue as a registered representative of Stein Bros. & Boyce, working if the spirit moves him.

Chester A. Lucas

Mr. Lucas was the first Secretary of the Bond Club of Louisville, organized in 1934, and 10 of the 18 charter members of the Club attended the luncheon. Speakers at the Luncheon included D. Wood Hannah, formerly in the investment business; Clarence L. Jones, Almstedt Brothers; Holman R. Wilson, The Kentucky Company; Dillman A Rash, Louisville Title Insurance Company; Dale F. Linch, Berwyn T. Moore & Co.; W. L. Lyons, Jr., W. L. Lyons & Co.; A. Shelby Winstead; and J. R. Burkholder, Jr., Almstedt Brothers.

Continued from page 10

Effect of Monetary Policies On the Mortgage Market

fective date of the regulation. How large this backlog of commitments was is not known definitely, but there is general agreement that a major part of residential construction put in place during the life of Regulation X was financed on pre-regulation terms on the basis of the advance commitments. Indeed, it is generally agreed that because of the commitment backlog, Regulation X was barely starting to be effective with regard to construction at the time it was decided in the Spring of 1952 that the regulation was no longer needed.

It is difficult to escape the conclusion that Regulation X had little value as a means for promptly bringing under control the sharp increase of expenditures for residential construction in the critical year following its enactment. This is in spite of the fact that the regulation was carefully and expertly administered. The question may be raised, however, as to whether this means that direct credit controls will always be ineffective in the housing field. Was not the failure of Regulation X largely the product of the conditions existing at the time, namely, the willingness and ability of financial institutions to make a large volume of forward commitments, along with the requirement for extensive consultation with industry advisory groups which stimulated advance commitments? Was it not also the product of the pegged Government securities market which made possible the buildup of a large backlog of commitments?

Direct Controls Futile

Undoubtedly the failure of Regulation X can be attributed to circumstances of the time, but it is likewise true that regardless of how direct controls of mortgage credit are instituted at some future date they are likely to experience similar frustrations. The residential mortgage market is a constantly changing one. This means that Regulation X cannot be merely dusted off in some new emergency; it would always have to be subjected to study by industry advisory groups and the possibility of sharp buildups in commitments would always exist. This drawback is entirely aside from the principal shortcoming of direct controls such as Regulation X, namely the great difficulty of enforcement. The residential mortgage business is ingenious in discovering new ways to operate, and the enforcement of down-payment and other terms would always be exceedingly difficult.

The Impact of General Credit Controls on the Mortgage Market in 1952 and the First Half of 1953. Turning now to the impact of general credit controls on the mortgage market, the first period to be reviewed is the period covering 1952 through the first half of 1953. Before considering this period, however, it is worth pointing out that general credit controls are assumed to operate through regulating the availability of credit and thus affecting investment yields and the prices of assets. Implicit in the theoretical framework of the functioning of general credit controls is the assumption of perfect competition in the long- and short-term credit markets and flexibility and sensitivity of interest rates. As will be stressed in the ensuing discussion, the insensitivity of interest rates on Government-insured and guaranteed mortgages does much to explain the particular impact which monetary policies have had on the mortgage market.

The pronounced rise in housing in 1950 was followed in 1951 and 1952 by the development of an upturn in business and industrial expansion, especially in the latter part of the year. The result of this heavy draft by business and industry on capital funds was a steady rise in 1951 in interest rates on the securities of business and industry where rates are highly sensitive to competitive market forces. Although rates remained fairly stable in 1952 they still under pressure of demand. This industrial and utility demand for funds accelerated in the first half of 1953. As interest rates rose on corporate bonds and on the securities and mortgages of business and industry generally in the latter part of 1952 and in the first part of 1953, the fixed rate of 4% on VA mortgages and 4¼% on FHA mortgages became less and less attractive to investors. As a result, institutional investors reacted to this situation by further reducing their flow of funds into FHA and VA mortgages, and even on the greatly reduced volume of new commitments they insisted upon higher down-payments and shorter amortization periods, as well as a better quality of credit in all regards. It might be wondered why the deepening of discounts on Government-insured and guaranteed mortgages could not have maintained the competitive position yieldwise of these mortgages. The answer is that at this time there was serious doubt that discounts on VA mortgages were legal. Moreover, the ease of public misundertanding of discounts discouraged this practice with many responsible investors.

Federal Reserve's Role

There is little doubt that as the pressures on the supply of credit developed in 1952 and into 1953, the restrictive monetary policy played an important role in the shift of investors away from the Government-insured and guaranteed mortgage market. If the Federal Reserve had not pursued a restrictive credit policy it is unlikely that the flexible and sensitive interest rates would have risen so sharply. Or put another way, if the Federal Reserve had been willing to maintain easy credit, the sensitive rates would not have risen so much and more funds would probably have been available for Government-insured and guaranteed mortgages. The fact is, of course, that under the circumstances a failure by the Federal Reserve to restrict credit would have reinforced the inflationary forces already at work because of the heavy pressure of capital demand upon the limited supply of savings.

It should also be made clear that as the flow of funds into FHA and VA mortgages was reduced, not all of the shift was into the securities of business and industry. Rather, a large proportion of the remaining flow of residential mortgage money took the route of conventional residential mortgages where rates were more flexible and responsive to market forces. In addition, an increased flow of funds was directed into conventional mortgages on commercial and industrial properties. Thus, not only was there a reduction of the overall flow of funds into mortgages in favor of bonds, but the funds remaining for mortgages were directed more heavily into conventional residen tial and business mortgages where the rates are responsive to market forces.

In the Spring of 1953, as a result of the forces already outlined—namely the heavy overall demand for capital funds relative to the supply of savings and the restrictive monetary policy—there developed an acute shortage of Government-insured and guaranteed credit at rigid interest rates. This situation was made even more difficult by the Treasury issue of 3¼% bonds at that time which attracted some funds from the mortgage market and contributed to a further rise of flexibile long-term interest rates at the expense of the fixed VA-FHA rates. As noted earlier, the heavy discounts on Government-guaranteed mortgages did not help the situation appreciably because of the questionable legality of the discounts and the possible adverse public relations involved in purchasing these mortgages at a discount.

Reserve Policy Negated

Under these circumstances it is not surprising that great pressures arose in the Spring of 1953 for a greatly increased volume of purchases of VA mortgages by the Federal National Mortgage Association. Likewise, the volume of direct loans by the Veternans' Administration to veterans rose. Both of these programs brought commercial bank credit into the VA mortgage market and thus acted to negate Federal Reserve policy in this field.

Late in the Spring of 1953 a swift succession of events took place which completely altered the mortgage credit situation. First, the Veterans Administration increased the rate on VA loans

from 4 to 4½% and the FHA rate was also raised from 4¼ to 4½%. The purpose was, of course, to bring these rates back into line with competitive rates in other sectors of the capital market. At the same time there was clarification in the law removing the fear that discounts on VA mortgages would be considered illegal. This action was taken in the midst of growing signs that a business recession was developing. There followed in late Spring, as a result, the dramatic and sudden shift of Federal Reserve policy from one of credit restraint to one of greater ease. The outcome of this change in policy, plus the reduced demand for capital funds by business and industry, was a sharp drop in interest rates on industrial and public utility securities, as well as on Government securities.

The Impact of Monetary Policies on the Mortgage Market in the Second Half of 1953 and Through 1954. It will be recalled that after changing the direction of monetary policy in the Spring of 1953 the Federal Reserve moved by a succession of steps in subsequent months to "active ease." Along with the decline in demand for capital funds by business and industry, this policy contributed to a marked drop in the sensitive and flexible interest rates throughout the capital market. The decline was pronounced in the case of corporate bonds and somewhat less marked in the case of conventional mortgages, both residential and business mortgages. In a matter of weeks, or as early as June, 1953, the status of VA and FHA mortgages changed abruptly. Instead of being a drug on the market, they suddenly became most attractive at a gross interest rate of 4½% and a net return after costs of about 3¾%. As might have been expected, therefore, institutional investors promptly expanded their VA and FHA commitments in the second half of 1953. This is shown by the fact that the new commitments by institutional investors to make VA loans in particular rose most sharply at an accelerating pace in that period.

During the second half of 1953 the major effect of monetary policy seems to have been a prompt and pronounced increase in the availability of VA and FHA mortgage funds. As already noted, of course, the reduced demand for funds in the business and industrial sector also played a large part in this development. It might have been expected that as the flow of funds into Government-insured and guaranteed mortgages increased there would be a corresponding softening of interest rates in this area. Actually, throughout the second half of 1953 there was little change in the prices of Government insured and guaranteed mortgages at the 4½% rate. The answer seems to have been that a large backlog of deferred demand for VA and FHA mortgage credit had been built up in the period of restraint. This deferred demand absorbed the accelerated flow of funds, with the easing which occurred taking the form of a gradual liberalization of other terms than interest rate.

"Give-Away" Schemes

By early Spring of 1954 the relative attractiveness of VA and FHA mortgage yields had become so great that a virtual deluge of funds flowed into this sector of the capital market. In order to put these funds to work the market moved into 30-year no-down-payment financing, which soon became "no-no down payment" financing with builders resorting to prizes and other "give-away" schemes in order to sell houses. The outcome was a huge buildup of forward commitments to make VA and FHA mortgage loans, especially the former. The very easy credit terms succeeded in stimulating the demand for VA and FHA credit. The ease, however, was primarily in credit terms other than interest rate, which remained quite firm throughout the period. The contract rate was held at 4½%. The huge buildup of VA and FHA commitments made necessary the increased warehousing of mortgages with commercial banks by many institutional investors and loan corresponding in late 1954 and in 1955. This brought commercial bank credit into the mortgage market and became an increasing source of concern with the Federal Reserve authorities.

The Impact of Monetary Policies on the Mortgage Market in the Period 1955-1957. The housing boom which began to develop in 1954 reached its peak in 1955. It was based, of course, on the forward commitments made in the second half of 1953 and in 1954. By the end of 1954, however, a slowdown of new commitments to purchase VA and FHA mortgages had already become evident. The declining rate accelerated in 1955. The main reasons for this development are twofold: (1) Many institutional investors were persuaded that, in view of the large buildup of commitments and the prospective acquisition of VA and FHA mortgages, a slowdown in new commitments would be advisable from the viewpoint of portfolio balance; (2) as a result of the housing boom, and other forces, business and industry began to set new targets for expansion, and business and industrial capital demand started to move upward. The natural result was, of course, a rise in the yields of the securities of business and industry.

As the business and industrial demand for capital funds began to develop in 1955 on top of the housing boom, the Federal Reserve uthorities were required to move into a policy of credit restraint, and this policy acted to accelerate the rise of sensitive interest rates. Early in 1955, therefore, a familiar pattern once again emerged in the mortgage market. In addition to a declining rate of new commitments by investors to purchase VA and FHA mortgages, the credit terms were tightened by investors on the new commitments. More and more emphasis was placed on conventional residential and business mortgages where rates were sensitive to capital market changes. Above all, early in 1955 a shift in the flow of funds to industrial and public utility securities got under way.

This pattern became much clearer in 1956 and 1957 as the rise in business and industrial plant and equipment spending went forward. Rising interest rates in the sensitive areas of the capital market made the rigid rates on VA and FHA mortgages less and less attractive and new commitments in that area declined steadily to very low levels. Concomitantly, increasingly large discounts were quoted on VA and FHA mortgages, but the availability of funds continued to decline in spite of the discounts because of the unwillingness of most institutional investors to purchase on a heavy discount basis. Contributing to this situation, of course, was the restrictive credit policy of the Federal Reserve which reinforced natural market forces leading to a rise in the more sensitive interest rates in the industrial and public utility financing field.

The outcome of this situation has been a reduced volume of housing starts in the past two years, with a larger and larger proportion being financed on a conventional basis. Although the interest rate on FHA mortgages has been raised in stages to the present level of 5¼% in order to attract funds, the increases have proved to be too little and too late to encourage much of an increase in funds in the face of highly attractive rates on business and industrial securities and mortgages.

Possibilities in 1958. The history of the impact of monetary policies on the mortgage market suggests the possibility of a reversal of trends in 1958. If the forecasts of a decline in business and industrial plant and equipment spending next year prove to be correct, and if the Federal Reserve acts further to ease credit, it is logical to expect that the FHA mortgage market will be a principal beneficiary.

Conclusions

The conclusions reached in this paper regarding the impact of monetary policies on the mortgage market are as follows:

(1) There can be little doubt that during the past several years monetary policies have had a highly significant impact upon the mortgage market as a whole and a differential impact upon component parts of the market. At times monetary policies have provided a stimulus to the mortgage market and at others have exerted a drag on it. It is important to recognize, however, that basic changes in the demand for and supply of capital funds were the controlling influence in the mortgage market and that monetary policies had more marginal yet highly significant effects.

(2) The experience with Regulation X showed that direct controls are an inherently unsatisfactory device for controlling residential mortgage credit. Because of the need for advance consultation with industry advisory groups and the tendency for a buildup of forward commitments to take place, it is questionable whether this type of control could ever be made effective. This is to say nothing of the difficulty of enforcement.

(3) With regard to the impact of general credit controls on the mortgage market, a number of conclusions emerge. Because of the fixed rate on Government-insured and guaranteed mortgages, and the ineffectiveness of discounts or premiums as a device for providing yield flexibility, a restrictive credit policy has usually contributed to a famine of Government-insured and guaranteed credit, and an easy credit policy has usually contributed to a feast in this market. There has been a tendency by some to argue that this is in the public good because residential construction automatically becomes reduced in a period of industrial expansion and is stimulated in a period of declining capital spending by business and industry. It can be argued, however, that the effect of monetary policy upon the Government-insured and guaranteed mortgage market is haphazard and is open to question on equity grounds and grounds of social priorities.

One conclusion which is clear is that general credit controls will never function smoothly and impersonally in the residential mortgage field until the interest rate on Government-insured and guaranteed mortgages is permitted to move freely and flexibly in response to capital market forces. There is much merit to the suggestion that the FHA rate, for example, be free to reflect fully the overall market forces. This freedom could be granted under the present statutory maximum of 6%. Unless Government-insured and guaranteed rates are free to react promptly to market forces, it must be expected that general credit policy will be greatly handicapped in the mortgage credit field.

Under the situation which has existed, there is inevitably great pressure on Government to see that credit is available to the VA or FHA market at the pegged rates through some device such as the expansion of FNMA's purchases, direct Government loans, or the use of some fund such as the National Service Life Insurance Fund to purchase Government-guaranteed mortgages. Too often, of course, resort to expediencies such as these have run at cross purposes with the Federal Reserve actions and have greatly weakened the influence of monetary policy. This is to say nothing about the problem of coordinating Federal Reserve policy with the credit-granting power of the Home Loan Bank System, or the power the FHA has over credit terms.

(4) At best, general credit policies will have a difficult time coping with mortgage credit and housing expenditures because of the forward commitment process and the long lag between commitment and actual construction. Much has been said about the difficulties of timing monetary policies. Nowhere are these difficulties of timing greater than in the case of residential mortgage credit. This is not meant to suggest that there is anything wrong basically with the forward commitment process. It is essential for the efficient operation of the construction industry. What is needed is a much better understanding of the commitment process to improve the timing of policy actions.

Finally, this suggests that careful and detailed research on the impact of monetary policies on the mortgage market is sorely needed. We have come to realize more and more that general credit policies have a large impact on mortgage financing, but the processes are still largely unexplored. If we can obtain a clearer understanding of how credit policies percolate into the mortgage market, then there is hope that improved timing of policies can be achieved.

Royal Dutch Petroleum Co. Offers 7,602,285 Shares for Subscription by Shareholders

Offering Involves About $228,000,000

The Royal Dutch Petroleum Co. is offering to its shareholders the right to subscribe for 7,602,285 additional shares of stock at the rate of one new share for each eight shares outstanding on Jan. 17, 1958. The subscription price is $30 or 114 guilders a share, at the option of the subscriber. The offering will therefore amount to approximately $228,000,000. The subscription offer will expire on Feb. 10, 1958.

The new shares will participate fully in any dividend still to be made payable in 1958. The board of directors and the managing directors intend to propose, subject to any unforeseen circumstances, to the general meeting of shareholders in May, 1958, that such dividend still to be made payable in respect of the year 1957 be N. fl. 3.50 (approximately 92 cents) a share, making the dividend payments a share in respect of the year 1957 the same as those in respect of the year 1956.

An international group of investment firms headed by Morgan Stanley & Co. and comprised of 175 American firms and 32 European firms in The Netherlands, Belgium, France, Great Britain and Switzerland will underwrite the offering. Nederlandsche Handel-Maatschappij, Amsterdamsche Bank and Pierson, Heldring & Pierson of The Netherlands are participating in the management of the underwriting as representatives of the European underwriters.

Royal Dutch Petroleum Co. is a Netherlands holding company which, in conjunction with the Shell Transport & Trading Co. Ltd., an English holding company, directly or indirectly owns securities of and controls the Royal Dutch/Shell Group of companies, the second largest oil enterprise in the world. The interests of these two companies in the Group are 60% and 40%, respectively. The Royal Dutch/Shell Group is an integrated group of companies, the members of which are severally engaged throughout the greater part of the world in one or more phases of the oil industry, including the exploration for crude oil and the production, purchase and transportation, refining and marketing of crude oil and oil products and in the manufacturing and marketing of chemicals.

The shares of Royal Dutch Petroleum Co. are widely held throughout the world. About 28% of the shares are held in the United States, 37% in the Netherlands, 23% in France, 5% in Switzerland, 4% in the United Kingdom and 3% in Belgium.

Proceeds of the issue will be made available by Royal Dutch Petroleum Co. to the companies of the Royal Dutch/Shell Group for general purposes, primarily for their capital and exploration expenditure programs.

Shell Transport & Trading Co. has announced that it expects on Feb. 10, 1958, to offer to its stockholders 8,177,204 additional ordinary shares in order to finance in part its proportionate capital contribution.

During the 5 years and 9 months ended Sept. 30, 1957, the companies of the Royal Dutch/Shell Group expended £1,781,000,000 (about $4,987,000,000) in the acquisition and replacement of property, plant and equipment and in the search for additional crude oil reserves. Of these expenditures, approximately 35% were in the United States, 27% in the rest of the Western Hemisphere and 38% in Europe and the rest of the Eastern Hemisphere. Total capital and exploration expenditures in the year 1957 are estimated to have amounted to approximately £400,000,000 ($1,120,000,000) and it is estimated that approximately the same amount will be expended in 1958.

Royal Dutch Petroleum Company net income and equity in undistributed income of the Royal Dutch/Shell Group, subject to any additional taxation payable and directors' and managing directors' participation in the event of further distribution, in 1956 was $312,831,000, or $5.14 a share. For the first nine months of 1957 this figure was $285,424,000, or $4.69 a share, compared with $222,434,000, or $3.66 a share, for the same nine-month period in 1956.

Phila. Inv. Women Hear

PHILADELPHIA, Pa. — Mrs. Kathryn M. Duffy, Chairman of the Educational Committee of the Investment Women's Club of Philadelphia announces the fourth in a series of educational meetings on securities and analysis to be held on Monday, Jan. 27 at 5:30 p.m. in the Concourse Room of the Philadelphia National Bank.

Robert D. Hedberg, Vice-President of Science & Nuclear Fund, Inc. and of the investment counsel firm of Bishop & Hedberg, will be guest speaker. The topic for the meeting will be "Nuclear Energy & Profits."

Join Newburger, Loeb

Newburger, Loeb & Co., members of the New York Stock Exchange and other exchanges, announces the following registered representatives have joined its organization: Benjamin Alpert (at 15 Broad Street); William Blank (at 525 Seventh Avenue); Martin S. Nordlinger (at 931 Madison Avenue); Benjamin Sloan (at 15 Broad Street).

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Present Challenge to Business

way of knowing about the postwar trend toward younger marriages and bigger families that was to upset all their predictions about the future growth of the country.

They knew no more about these things than we know about the kind of economy that will develop in the 20 years that lie before us. Anyone who makes predictions today about the long-range future runs the risk of underestimating the country's potential just as badly as the writer in 1938 did when he predicted stagnation for the American economy. Nevertheless, whether or not we like to make estimates about the future, a certain amount of looking ahead is a must for most businessmen—and especially for us in the automobile business. We have to plan for the future—we have to invest in the future—and to do so we have to make some rough estimates about the size of the market in the years ahead. In making these estimates, we must look first at the probable growth rate of the population.

Larger Car Market

According to one of the country's leading population experts, if the present trend toward younger marriages and bigger families continues, 20 years from now, in 1978, the population could be in the neighborhood of 250 million. If at that time there should be one car for every three people, as there is now, the total number of cars in use would be about 83 million. And new-car sales would be between 8 and 10 million a year. However, that is not the only way to estimate the possible future number of cars in use. Suppose, for example, that the rate of growth in the car population over the past 20 years continues for the next 20. On that basis, by 1978 there would be about 90 million cars in use, and annual sales of between 9 and 11 million new cars.

All of us know how impossible it is to make long-range estimates of this kind with any degree of accuracy. But regardless of the actual numbers of vehicles to be sold in the future we can be sure the automobile markets ahead are going to be very large even by our own standards.

Of one thing I am absolutely certain. We in the automobile business are going to do what we can to make the figures I mentioned look like conservative estimates when 1978 arrives.

No one can ever afford to think that economic growth happens automatically. It is wrong to assume that just because our population is growing so fast, our economy is bound to go on expanding at the same rate that we have seen in recent years. It can continue to grow and grow steadily—but only if the people of this country contribute sufficiently to that growth with their talents and energies—and if wise decisions are made by government, by business management, by organized labor and others — based on a realistic understanding of our problems and our potentials.

Economists are generally agreed that in the Nineteen Sixties this country is going to experience another boom. Sometime in the early Sixties the young people born during the war and early postwar years—when the birthrate began to set new records—will begin to get married and set up separate living establishments. It is just about as sure as any estimate about the future can be that by 1965 this will mean a rate of new household formation of approximately one million a year, as compared with a rate of 750 thousand at present. And from 1965 on we can expect the rate to keep climbing steadily year after year.

To us in the automobile business this means that by 1965, the retail sales of passenger cars in the United States should amount to between seven and eight million passenger cars a year. And if the present trend toward more suburban and multiple-car families continues, that estimate may turn out to be conservative. Expanding markets on the same scale can be expected for virtually all other goods and services. And in a country like ours, where living standards increase even faster than the population, the pressures of demand are going to increase away out of proportion to the increase in the numbers of people.

With these magnificent market opportunities awaiting us only a few years from now, there is a lot of work to be done in the meantime to get ready. For one thing, the country will need a continued expansion of its industrial capacity and continued improvement in its productive equipment. There is also likely to be an accelerating expansion in the rapidly growing service sector of the economy. There will be expanded programs of research, leading to many new products and many thousands of new business establishments. And there is every prospect of expanded Federal, state and local programs for education, streets and highways, national defense, any many other purposes.

These positive factors are good reasons for being confident about the years ahead. But it would be a serious mistake, in my opinion, to assume — complacently — that the postwar boom will continue to roll along with the same kind of impetus and under the same conditions that we have seen during the past 12 years. We may very likely be entering a period in which the economic conditions and the economic challenge facing us may be distinctly different in nature from anything we have known before.

Built-Up Capacity

Let me suggest a few of the conditions that may make these years somewhat different from the 12 postwar years. For one thing, the economy is no longer presented, as it was at the end of 1945, with the same prodigious unsatisfied demand for consumer goods, for homes, and for industrial plants and equipment. This demand was backed up by hundreds of billions of dollars of uncommitted personal and corporate savings which had accumulated during the war years. Today much of that demand has been filled. And we are no longer presented with the pleasant spectacle of ready-made markets, with customers waiting in line for the chance to buy.

Many industries have built up their productive capacity to the point where it is adequate, and in some cases more than adequate, for meeting the immediate demands of the market. And although it will continue to be necessary to invest on a big scale to keep factories equipped with up-to-the-minute machinery, in many industries the need for building new plants is not as pressing as it has been in recent years.

Another special condition that will be with us for the next few years is the abnormally unbalanced makeup of our population. For more than a decade the birthrate has been running close to four million a year. And thanks [illegible] progress of medicine, our people have been living [illegible] used to. The result is that a very large proportion of the present population is composed of children and older people. In between the young and the old there is a disproportionately small group who were born during the Twenties and Thirties when people were not having as many children as they are today.

This means, as I indicated earlier, that the rate of new family formation will continue to be relatively low for the next few years. And this in turn means that home builders, automobile companies and others who build and sell consumer durables will not feel the full impact of the oncoming tidal wave of young people until sometime in the Sixties. It also means that until those youngsters get old enough to do their share of the work there is going to be heavy pressure on the available working force.

Exceptional Demands

Besides these special conditions I have mentioned, there is one more important fact about the next few years. We are going to be faced with the continued challenge of the impressive scientific and military progress made by the Soviet Union. And whether or not this means increased Federal expenditures for defense, it seems logical to believe that it will place an increased burden on the economy to provide for intensified programs of scientific education and for research and development.

These next few years are going to make exceptional demands upon people in all walks of life. But they will make their heaviest demand upon the business community of America, because it will be the special responsibility of business to stimulate the expansion of the economy. This is a big and all-important responsibility, because it is only through expansion on a broad economic front that we can provide the strength necessary to meet the challenge of this critical period in our national life.

In recent weeks we have heard some important people say — in effect—that if we are going to build an adequate defense we will have to give up some of the customary features of the American standard of living.

Now as I see it, that kind of talk is based on a serious underestimate of this country's economic strength. In the last two decades we as a nation have developed the reserve capacity to produce for both military and civilian needs on a tremendous scale. Right through the Korean crisis we produced very large quantities of munitions, and at the same time increased over-all capacity and raised the level of personal income and the general standard of living. In any emergency short of armed conflict, it appears that our economy now has the strength to keep moving forward simultaneously in both the civilian and defense sectors.

In the years since the end of the Korean War our economy has become stronger, more diversified and better balanced. An economy like this is the best foundation for a strong defense. It provides the flexibility and mobility to meet fast changing situations. It does this by making available a continually widening range of goods and services and skills. It also builds a broadening base of income that can, if necessary, supply increased tax revenue without higher tax rates.

Job of Business

It seems clear that in the years immediately ahead, if we are going to have that kind of expanding economy, it is up to business to supply most of the dynamics of growth. It will be the job of business to continue helping the American people achieve the progressively higher standard of living it is within the power of our free economy to provide. It will be the job of business to continue mobilizing the savings of the nation and putting them to work in making the country stronger, more efficient, and more productive. In short, it will be the job of business, as in the past, to make the best possible use of the nation's resources of men, materials and technology through wise and skillful management.

The events of the past few months have reminded us powerfully that a prime source of economic progress is science and technology. To the industrial manager this means that research must be put first in all his plans for remaining successful and useful in a competitive economy. All of us are familiar with the wonders of research and what it has meant and will mean in our lives. I am not going to labor the point. I do think it might be of interest, however, to indicate how far we have come in this field in the last 20 years.

In 1957 industry invested about $7 billion in research and development, and according to a McGraw-Hill survey that expenditure is expected to increase to $9 billion by 1960. Now compare those amounts with the half billion dollars invested in reseach and development in 1938, and you get some idea of the distance we have come. It has been estimated that American industry invested more in research and development in the single year 1957 than was spent for the same purpose in the entire span of time between 1776 and 1938.

Continued research on this scale is a major responsibility of business. It is a key element in a new kind of prosperity based on deliberate creativeness leading to new products, new markets, and new manufacturing processes.

Those new manufacturing processes are just as important as the new products themselves, because they provide the means of producing more with the same or less effort. And only when increased productivity takes place can wages be increased without a rise in costs and prices.

Higher Investment Level

We have been hearing a lot about the probable reduced rate of capital spending for plant and equipment in 1958. But we have heard very little about the fact that this spending will probably be maintained at about 10% above the level it reached in the highly prosperous year of 1955. Modern business plans its investment in plant and equipment years in advance, and temporary ups and downs in the economy have much less effect on the level of that investment than they once did. A company that is in business for the long pull just can't afford to be thrown off its main course by temporary swings in the economy.

In most of the talk about where the economy is headed and what we can do to get it headed in the right direction—up—it seems to me that one consideration of very great importance is missing. It takes more than those big underlying, impersonal factors we hear so much about to turn an economy around. And above all, it takes selling. When you boil down all the facts about how a free economy works, what you find is that goods and services have to keep moving. And who is more important in keeping them moving than the salesman, the merchandiser, and the advertiser?

It takes the genius of American merchandising to make the most of a market potential by putting the spark into people's motivations. It takes the massive preselling efforts of national and local advertising. It takes the person-to-person persuasion of the effective salesman. It takes the skill of the retail manager who knows how to create the atmosphere and the conveniences that make it easy and pleasant for the customer to buy. And all of these efforts can add up to a tide of buying that will generate confidence, jobs, investment and do more than any other single factor to provide that extra push we need.

In our time we have seen the pressure eased on the productive side of our economy and increased year by year in the field of distribution. Today it is the marketer — using the word in its broadest meaning—who holds the prime responsibility for keeping the country on the move, driving it ahead toward higher living standards and greater economic strength.

Business managers have a tremendous responsibility in the years immediately ahead of us, whether they are concerned with selling, producing or with the over-all success of a business enterprise. But to discharge this great responsibility with honor to themselves and to their country, businessmen need the support of other groups. More specifically, they need the understanding of government and labor.

Role of Government

From government they need the atmosphere of confidence created by wise and consistent decision-making in matters of public policy. They need alertness and flexibility in the management of the public debt and in the monetary controls affecting inflation and deflation. And they need a continued understanding of the conditions under which modern industry can make its full contribution.

I would like to suggest, for example, that continued study be made of the possibilities of reform in our Federal tax policies. In particular, I believe our Federal tax laws and the policies of those who administer those laws have a direct bearing upon the extent to which industry can make use of the amazing new developments in the field of machine technology. Under present conditions, most productive equipment becomes obsolete long before it wears out. The useful life span of present-day machinery is determined primarily by the pace of technological progress—not by the length of time it takes to tire out a peace of iron. But in deciding on depreciation rates for equipment, or in other words, the rates of write-off for tax purposes, the government still tends to think in terms of the past when the world of science and engineering moved at a more leisurely pace.

This is a complex subject—one which I have explored in more detail on another occasion. I have mentioned it because it appears to offer government an excellent opportunity to give industry the incentive to make even greater use than it is now making of the technological resources of our time.

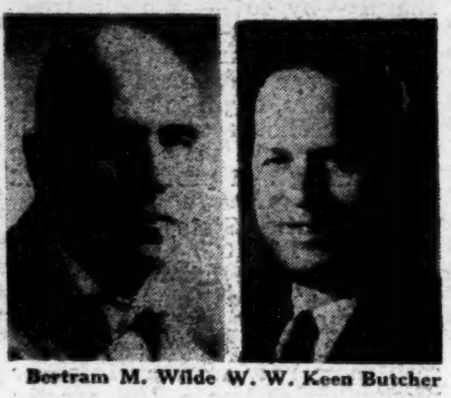
From organized labor, the country needs a new and more realistic attitude regarding the role of labor in helping to build greater strength into the economy. More specifically, what is needed from labor is a full realization of the contribution that can be made to the country through a constructive and persistent effort to improve productivity. Constructive attitudes and efforts on the part of labor toward the achievement of this aim could result in some relief for the country from the pressure of rising costs. And the leveling off or lowering of costs could also make possible the leveling off and even the lowering of prices — which in turn could help to widen markets and raise the general standard of living. A vigorous support by labor of improved productivity would be in the best long-run interest of labor as well as the best interest of the nation.

The greatest challenge of all in the years ahead is the challenge to our ability and willingness as Americans to work together to-

ward our common objectives in a reasonable and constructive spirit. A dedication to that kind of cooperation among all the groups that contribute to our American civilization will do more than anything else to move us toward a full realization of the promise inherent in our great heritage of freedom.

Phila. Bond Club Elects Officers

PHILADELPHIA, Pa. — W. W. Keen Butcher of Butcher & Sherrerd, was elected President of The Bond Club of Philadelphia at the



Bertram M. Wilde W. W. Keen Butcher

annual meeting of the Club held at The Barclay Hotel. Mr. Butcher succeeds George L. Morris of Hornblower & Weeks, whose term expired.

Other officers elected were: Bertram M. Wilde of Janney, Dulles & Battles, Inc., Vice-President; and Edward B. Stokes of Elkins, Morris Stokes & Co., Treasurer and Warren H. Bodman of DeHaven & Townsend, Crouter & Bodine, Secretary.

Harold F. Scattergood of Boenning & Co. and Stanley A. Russell, Jr. of Blyth & Co. were elected to the Board of Governors to serve for three years and George L. Morris was elected to serve for one year.

With Albert Theis

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Charles W. St. Denis has become affiliated with Albert Theis & Sons, Inc., 314 North Fourth Street, members of the Midwest Stock Exchange. He was formerly with H. J. Lange & Co.

White & Co. Adds

(Special to The Financial Chronicle)

ST. LOUIS, Mo.—Robert Baker has been added to the staff of White & Company, Mississippi Valley Building, members of the Midwest Stock Exchange.

Hogan With Courts

(Special to The Financial Chronicle)

ASHEVILLE, N. C.—Walter L. Hogan, Jr. has become associated with Courts & Co. He was formerly Asheville manager for R. S. Dickson & Company, Inc.

Joins W. E. Hutton

(Special to The Financial Chronicle)

CINCINNATI, Ohio—Morton J. Heldman has become connected with W. E. Hutton & Co., First National Bank Building, members of the New York and Cincinnati Stock Exchanges.

Bache Adds to Staff

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Robert D. Smoots is now affiliated with Bache & Co., National City East Sixth Building.

With Fulton Reid

(Special to The Financial Chronicle)

CLEVELAND, Ohio — Edward T. Pedler has become connected with Fulton Reid & Co., Inc., Union Commerce Building, members of the Midwest Stock Exchange.

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1958's Prosperous Recession

There are, of course, different *kinds* of spending. There is business spending for capital goods, business purchases for inventory, expenditures for housing, consumer expenditures on all sorts of goods and services, and finally, government spending. I have already pointed out that the current business dip has been due to declines or changes in the direction of three of these spending segments. Similarly, the upturn in business activity, when it occurs, will be due to the fact that spending in some segments has ceased to fall and spending in other segments is starting to rise more rapidly. In order to get the answer to our question, let's analyze briefly each type of spending during the coming year to see whether it is likely to exert an upward or downward effect. It will then be possible to estimate at what point during the year the upward moving segments will outweigh the downward moving segments.

Analyzes Spending Outlook

Capital Spending. First, let's consider what is likely to happen to business expenditures on plant and equipment. I do not believe that this type of spending will turn upward during 1958. Business capital spending has already dropped somewhat from the level which existed in late 1957. I think the decline will continue fairly rapidly for the next two or three months. Thereafter, the rate of decline will become much less pronounced. But I do not believe that we can count on an upward movement from this segment during 1958. For the year as a whole, my estimate is that business capital expenditures will be down $3 billion from 1957, with most of the decline occurring early in the year.

State and Local Government Spending. The next spending segment—state and local government expenditures—is an encouraging one. State and local government spending has been rising almost without interruption during the whole postwar period, and the rise will continue during 1958. The almost insatiable demand for more schools, highways, sewage systems, and all the other capital projects associated with our growing and moving population, will lift state and local government expenditures by about $3 billion in 1958. For the year as a whole, the rise in this type of spending will roughly offset the fall in business capital expenditures. Since capital spending will fall more rapidly in the opening months of the year, however, there will be some net downward effect in the immediate future.

Federal Government Spending. As I pointed out earlier, cutbacks in government orders during the last half of 1957 have been one of the factors responsible for the current decline in business activity. The appearance of Sputnik, however, has resulted in a drastic reappraisal of our defense establishment, and there is no question that defense expenditures will rise in the coming year.

Even before government expenditures rise, the increased tempo of government orders will stimulate private expenditures. We are already beginning to feel some of the effects of the revision in defense plans. Orders for new types of bombers and fighter planes have been speeded up, the missile program is being accelerated both in variety of missiles and in quantity of output, and missile installation schedules have been advanced.

Apart from the defense effort, it has recently become clear that the federal government is also pushing other types of expenditures as anti-recession measures. Housing funds previously frozen have been released, and the Export-Import Bank is being encouraged to accelerate its lending activity. Judging by the present mood of Congress, it is probable that an even greater boost to federal expenditures will come out of forthcoming legislative sessions.

It is probable that federal government purchases of goods and services will rise steadily during 1958, with the overall total exceeding 1957 outlays by $2 billion. This increased buying will of course push business activity upward.

Housing Expenditures. Another encouraging spending segment is the housing area. Housing starts in the United States came close to a 1.5 million annual rate at the beginning of 1955, but thereafter a long and steady decline set in. Housing declined all through 1955, 1956, and into 1957. By March of last year the annual rate of housing starts had fallen to 933,000, the lowest March in eight years.

After March, however, housing began to move ahead in a moderate but steady climb. The present seasonally adjust rate is about 1,000,000, and there is good reason to believe that the advance will be continued in the year ahead. Contract awards and applications for FHA commitments are holding up very well, and builders themselves are cautiously optimistic. Housing during the past two years has been unduly depressed partly because home costs and prices have been rising more rapidly than average family income, and partly because there has been a serious shortage of mortgage funds. In the year ahead, there is hope for an improvement in both of these factors. Homebuilders have become increasingly aware of the importance of costs and prices. A survey by the National Association of Homebuilders indicates that builders plan much greater concentration on lower-priced homes in the coming building season. The easing in the capital market is likely to release a greater flow of mortgage loan funds, and possible Congressional action to relax FHA terms would have a further stimulating effect.

My estimate for the housing industry is that housing starts will show a fairly steady rise throughout the year, and the total for the year will amount to about 1,085,000, an increase of 10% over the 1957 total. Spending on housing in 1958 is likely to be up $1 billion over 1957.

Consumer Spending. The most difficult type of spending to forecast is that by consumers. Recent declines in personal income and rising unemployment will of course have a depressing effect on consumer spending. But after a very careful analysis of consumer spending cycles in the postwar period, I am willing to go out on a limb and predict that consumer expenditures in the coming year will rise as much as $11 billion over 1957. This increase, it is true, is less than any year since 1954, but it is nevertheless sizable and I think will prove the key factor in the 1958 business picture.

Many economists have regarded the consumer as a passive factor who simply reflects what is happening in other segments of the economy. I think that in the postwar period the consumer has shown that he has a mind of his own. In the recession of 1954, consumers actually *increased* their spending even though the federal government and business corporations were sharply reducing their expenditures. The consumer is not simply an automaton. He can spend a greater proportion of his income when he is in the mood, and he can also supplement income with credit. The job of the salesman during the coming year is a particularly vital one. Consumers *can* be sold, and if they *are* sold, their purchases can lift the economy right out of this business dip.

The importance of psychology in this area is tremendous. I think that every salesman should scan the newspapers daily for encouraging business news—and there is plenty of it if you will look for it. Everytime you hear a gloom-peddler describing the terrible recession for which we are headed, I would face him with these optimistic news items and remind him that businessmen are staking millions of dollars on continued prosperity.

I am betting on the consumer in 1958. I think he will continue to spend on non-durable goods and services, but I also believe we are going to see a substantial increase in durable goods purchases, which consumers have neglected for two full years.

Inventory Purchases. Now for the final spending segment in the economy—the segment which will tell us *when* the upturn is likely to begin—business inventory purchases.

Retail inventories at present are not too high. In fact, the ratio of retail inventories to sales is exceptionally good. But manufacturers — particularly manufacturers of durable goods—have experienced a substantial involuntary rise in inventories, and there is no question that these inventories are too high for the current level of sales.

Fortunately, a good deal of the necessary adjustment in manufacturers' inventories has already occurred. During the fourth quarter of 1957, manufacturers reduced output quite sharply so that production fell below shipments, and inventories were cut down. I do not believe that the inventory adjustment is over. Manufacturers will probably continue to hold down output during January and February. But by March, if sales are still holding up reasonably well, production will probably begin to rise. With the increase in production will come an increase in employment and incomes, and thus a further improvement in sales.

Although it is very difficult to pinpoint exactly the turning-points of business, my estimate is that in March of this year the current business adjustment will be over and the economy will be moving upward. My guess is that gross national product will be higher in the second quarter of the year than in the first, and that the rate of increase will be accelerated in the third and fourth quarters of the year.

Summary

Now, in summary, let me add up the various spending segments I have discussed to see what is likely to happen to business as a whole. I have estimated that the only unfavorable factors will be (1) a decline of $3 billion in business expenditures on plant and equipment, and (2) a continued low rate of manufacturing production during the next two months in order to work down inventories. These two factors will hold down business in the opening months of the year, but the inventory correction may well be completed by March, so that thereafter even this unfavorable factor will be removed. (In addition to these two unfavorable factors, there is likely to be a decline in our export surplus of $1 billion.)

On the favorable side, I have estimated a rise of $3 billion in state and local expenditures, an increase of $2 billion in federal government purchases, a rise of $1 billion in housing outlays, and an increase of $11 billion in consumer expenditures.

This analysis leads to the conclusion that total spending in 1958 will increase $13 billion above the 1957 figure, with the advance being accomplished during the last three quarters of this year. I will not pretend that a $13 billion increase amounts to a boom year; we have often had annual increases in total spending of over $20 billion. Nor will I pretend that I am sure the 1958 increase will be exactly $13 billion. I am willing to say flatly, however, that those economists who have predicted a *decline* in total spending for the full year 1958 compared to the full year 1957 are going to turn out to be very wrong. If there are some who choose to call 1958 a recession year, I would say that it will be the most prosperous recession this country has ever experienced.

Continued from first page

As We See It

power has indicated willingness to turn back from the downward course on which the New Deal and its followers started us. There have, of course, been generalities in political campaigns—which usually were obviously spoken with tongue in cheek—and pious platitudes about sound economics and sound public policy, but they were usually if not always accompanied by assurances of a continuation of the essentials of the New Deal or the Fair Deal. Now, for better or for worse, an Administration in power at length is ready at least to make a beginning.

The big question is: Can the President summon the following necessary to carry through—assuming that the President himself does not presently weaken. The Secretary of Agriculture told a Senate Committee the other day that the farm legislation now proposed should have been enacted at the close of the war. It could as well be said that all that the Administration is now asking for in the way of curtailing domestic programs should have been long ago taken to the statute books. Indeed laws which go much farther should have been enacted when President Eisenhower came into office in 1953—assuming that no one prior to that time had had the hardihood to do so.

A Test for the People

This year and this program will test the American people no less than the Administration and members of Congress. There is, of course, no question at all that this much, and a good deal more to get the country on a sound financial footing, could easily pass muster in Congress if it became reasonably clear that no member of either house would lose standing with his constituency by supporting such measures. If the rank and file of the voters of the country were to let it be known that they not only would think no less of their representatives in Washington but would, on the contrary, feel more confidence in them were they to take constructive stands on such legislative proposals as these there would be a battle to fight. We should at once be on our way to a position of financial and economic strength that we have not known for a good many years.

From the hue and cry that has been raised in some quarters one would suppose that the President was proposing to deprive people of blessings to which they were entitled by some sort of divine right. Not all of the plans of the President have yet been made known in detail, but howls are heard aplenty already. He would do hardly more than make a beginning in reducing—not eliminating—the subsidization of huge, growing and unmanageable surpluses of farm products. He accompanies such proposals with assurances that help will be forthcoming to ease transition of individuals from farming where their services are not needed and are unprofitable to other pursuits where there is need and profit. And many members of his own party—not a few of them presumably "orthodox" Republicans who have been accusing Eisenhower of playing the sedulous ape to Franklin Roosevelt—throw up their hands in political horror.

Hand Back Local Problems!

The Administration apparently would turn back to the states and local communities a part of the load the Federal Government has been carrying in helping the needy and the aged. Of course, this is something that should never have been handed to the Federal Government in the first place. The specious plea that state and local government have not the means to undertake this sort of service should have no influence. It is now clear that they have precisely the same people to pay the taxes. When local governments must collect taxes from local people for such purposes, a much closer supervision of what is going on and a much more just and less wasteful result can be expected. But for years now local people have been relieved of such duties by a paternal national government. It may not be tactful for the politician who must depend upon the local people for re-election to advocate such changes as are now suggested, but, for our part, we have faith enough in the American people to believe that they can be made to see that it is to their advantage to effect these changes.

And so it is with the other plans for retrenchment at the expense of programs which should never have been given effect in any event. The trouble is—or one of them—that not only have many individuals now come to feel that they have a "right" to such favors, but economists, real or fancied, have for so long preached the doctrine that extravagance is the remedy for economic ills that it is not difficult for the demagogue to lead the unthinking to the conclusion that the allegedly threatening recession of today can be warded off by a continuation of extravagances.

More power to the President in the work which he now begins.

Continued from first page

Financing Your Company

capital from outside sources. My particular attention, therefore, will be directed toward those growing, medium-sized industrial companies.

To cover all aspects of the subject of financing your company's future would be beyond your patience and the time we have available. What I propose to do, therefore, is to consider only some aspects of the problem.

First, I intend to suggest that the probable future demands for capital are — in the aggregate — staggeringly large and will, to an extent barely comprehended today, strain our capacity and resolve, as individuals and as a nation, to encourage the savings and capital formation necessary to meet these rapidly growing capital demands.

Second, I should like to examine the present sources of capital for financing and to indicate the trend of recent years toward the "institutionalization" of savings available for investment.

Third, I shall briefly describe what role the investment banker can play in serving as the bridge—the expert, professional bridge—between the great and growing demands for capital and the sources of capital.

Fourth, I will discuss something about the available methods of financing—including the types of securities in use, their advantages and their hazards.

Fifth, and lastly, I think it is important to consider what steps we as businessmen and citizens, and what steps our government, can take to promote the growth in savings and capital formation required to meet the vast future demands for capital.

Future Demands for Capital

In trying to look into the future and speculate as to what demands for capital may be, one is certainly gazing into a crystal ball. I do not intend to try to quantify these demands. I do intend to suggest strong forces are at work which will make these future demands very large indeed.

The year 1957 was a very active year in the capital markets.. Over $12 billion of securities for new capital were issued by corporations alone—an all time high. The facilities of the market were strained and the heavy demand for capital led during the year to sharp increases in interest rates. With the current easing of pressures and the anticipated decline in business expenditures on plant and equipment in 1958, there may well be a decline in corporate financing in 1958. With the probability, however, of increased defense expenditures and of higher state and municipal expenditures, and the virtual certainty of continued large gains in population and growth in consumer demand, it does not take too much confidence or imagination to anticipate renewed pressures for capital expansion in the future.

Any one of a number of factors could seriously upset one's predictions about future demands for capital. It is instructive, however, to look briefly at what has been happening in recent years and to see what trends, if any, exist.

The economic history of the United States has been marked by constantly increasing amounts of capital invested per worker employed—with increasing productivity per worker, decreasing hours of work, and a steadily rising standard of living. The savings of Americans invested in American industry have in a very real sense made America strong and great.

The amount spent on producers' durable equipment—to make better things with increased efficiency for better living—has been growing constantly. In the 1929 boom year less than $6 billion was spent for this purpose. This dropped to less than $2 billion in the depression year 1933. By 1945 it was almost $8 billion. But in the years 1950-55 it averaged $23 billion annually.. In 1956 it rose to $28 billion, and in 1957 was over $30 billion. (During this same period the average work week declined by over 7 hours—from 47 in 1929 to about 40 or less in recent years.)

While some temporary overcapacity may have been created in recent years and estimates of total business expenditures for new plant and equipment in 1958 reflect an anticipated drop from 1957 of 7% or more (depending on the estimator or the industry), we are here concerned not with temporary ups and downs, but with longer-term trends and the longer-term future. I am confident of the longer-term future of American business growth.

Looked at from another angle, the same increased capital investment trend is observable in particular industries. The capital investment per employee in the steel industry has increased from less than $10,000 per employee in 1947 to over $19,000 per employee now. In some industries—chemicals, petroleum or the utilities, for example—the capital investment per employee is much higher; in others lower. Despite differences between industries, the important point is the trend—which is toward greater and greater capital investment per worker for greater productivity. Many other factors enter into greater productivity, of course; these include better management methods, better use of raw materials, better plant organization. But it is clear that higher wage costs, competition and greater demand are the spur to greater and greater investment in plant and equipment, in producers' durable goods, in the machines with which to make more and better things more efficiently.

Another important consideration in thinking about future demands for capital is what has rightly been called the population explosion. Our population — and the world's population—is expanding rapidly. Birth rates in some areas are considerably higher than in the past—in our case it has increased from 2.8 million in 1945 to 4.3 million in 1957—the seventh yearly increase in a row. This reflects not only more marriages but also larger families. But the greatest cause of the world's population explosion has been a decline in mortality. Improved sanitary practices, modern scientific medicine and especially its world-wide application under international auspices are steadily reducing death rates and increasing life expectancy. The most spectacular decline in mortality has been in the less developed areas of the world. In such areas drops of 30% to 60% in the death rate in 10 years have occurred. The demographers tell us that the rate of population increase has grown so rapidly that it is now capable of doubling the earth's population every 42 years.

In these United States, our present population of about 173,000,000 will expand — we are told — to a population of 225,000,000 as early as 1975. We add nearly 3,000,000 people to our population each year. The population projections in foreign areas — especially Latin America, Asia and Africa — are even more startling. Even with increased fertility control in some areas, it is believed the pace of population increase will rise still further, and that in any case there will be a substantial population growth in the world for many decades to come.

These population facts and predictions are also interesting in terms of the structure of our own population. For example, in the United States, between 1959 and 1960 the number of children turning 13 years of age will increase sharply—by 40%—as a direct result of the post-war baby boom. As the post-war babies become first, teenage consumers and then, in the 1960's, begin to set up their own households and have their own children, a very large wave of spending and product demand will be set off.

In the United States we are adding about 1,000,000 new workers annually to the labor force. It probably requires somewhere between $10,000 and $20,000 capital investment per employee to absorb these new workers into our productive system. This factor alone — the absorption of these new workers—will require a vast and increasing amount of capital each year.

If one translates these population facts and estimates into demand for things — for plant, for equipment, for goods, for schools, roads, homes, hospitals, utilities and for an ever higher standard of living—the outlook for capital demands takes on a formidable aspect.

When we combine the demands for capital arising from the population explosion with demands for capital arising from greater investment per worker employed we get a sobering picture of the tremendous importance of increased savings and increased capital formation for the continued growth and strength of our economy and our country.

It has recently been estimated, for example, that annual expansion by the electric utilities alone will reach a rate of about $11 billion by 1970, or just about three times that of 1956. The same trend applied to all business would produce an annual plant and equipment expenditure rate of over $100 billion. And it must be remembered in assessing the future demands for capital that the demands of business for investment funds are only one of the demands on capital. There are also demands for increased working capital to carry on the higher volume of activity. Government — Federal, State, and local—is busily engaged in more and more investment in roads, schools, hospitals and other projects. And individuals are spending about $50 billion annually on their own investments in homes, appliances and various consumers' durable goods.

It is clear that in financing your company's future you will be competing for funds not only with other industrial companies, but with utilities and other businesses. You will be competing for the savers' dollar with government—Federal, State and local—and with individual investment in homes and the like. You will also be competing with a large and growing demand for investment abroad, which will intensify each year because of our international interests and responsibilities, the bursting population growth overseas and the aspirations of the less developed areas for economic development under what has been called the revolution of rising expectations. It is to be hoped that these investment requirements overseas will be met in large part by private business and private capital. If not, it is clear to me that our Government and international agencies will provide an in-

creasing amount of these needs. However it is handled, the growing foreign demands for capital will represent additional competition for the saver's dollar.

Sources of Capital

We have suggested that the demands for capital for various purposes are not only already huge and taxing the power of our savings capacity, but have every prospect of increasing dramatically in the years ahead. In assessing how we can meet these future demands, it is interesting to survey briefly what the sources of capital have been, and to see if there are any observable trends.

There is first of all the capital which a sound company generates internally through earnings retained in the business after the payment of dividends, and through accrued depreciation and depletion. Many companies have financed their entire growth through these means.

The policy followed by industry in dividends vs. retained earnings differs from company to company. Compared with pre-war years and policies, however, there is a tendency for industrial companies to pay out a smaller proportion of their earnings in dividends and to retain larger amounts for reinvestment in the business. Two major factors probably account for this tendency. One is the increased demand for capital to which we have already alluded. Companies are in part meeting the increased demand for capital for necessary expansion and growth by reducing their dividend payouts and by increasing the earnings retained in the business.

The other new factor is that the sharply increased personal income tax rates have lessened the attraction of higher cash dividends to many stockholders. Because of the high tax rates on dividends and the lower rates on capital gains, it is often to the advantage of some stockholders in a company which can consistently earn a good return to have more of the earnings retained in the business where they will be reflected in further growth and higher profits and prices for the stock and hence in capital gains rather than in regular dividend income subject to the higher tax rates.

My friend Benjamin Graham has pointed out the problems of a high dividend payout under these conditions. The more money that is paid to shareholders in dividends, the more money the shareholders will be asked to provide for future expansion out and taking back, the Government steps in and absorbs, say 40 to 50% of the sums involved through the high personal income tax rates on the cash dividends.

For the profitable, growing industrial company which can usefully employ retained earnings, a high dividend payout may well be inconsistent with capital expansion needs and the present high personal income tax rates. On the other hand, fair dividends to stockholders are justified and can have a beneficial effect on the market position of a company's stock and thus aid the company in raising new money. This dilemma—between higher dividend pay-out and retained earnings—would be made substantially easier if changes were made in our income tax laws, as I shall suggest at a later point.

Although many companies have felt impelled to increase the proportion of their earnings retained in the business, most companies as they become larger have found this and other sources of internal capital inadequate and have found it necessary to seek outside or external capital for their continued growth. And increasingly we find that significant sums of capital for the medium-sized and larger companies are being obtained from the large funds of institutional investors and "institutionalized" savings seeking appropriate investments. **Direct investment** by individuals is less and less an important source of capital for the medium-sized and larger companies. **Individual savings** are of vast importance (as I shall have occasion to emphasize at a later point) but they are increasingly mobilized and channeled through the large institutional sources of capital—the banks, the insurance companies, the investment trusts, the pension funds—and by investment banking firms and investment dealers who can successfully marshal investment capital from millions of individual investors and from the institutional investors.

The growth in the institutional sources of funds used in the capital market has been striking. The Life Insurance Association of America has estimated that institutional investors were a source of $17.5 billion of funds for the capital market in 1956; this was more than twice as much as the $8.6 billion provided in 1947. (This analysis views the capital market as the medium through which funds are channeled into investment in loans and securities; it therefore encompasses funds for business credit and all mortgage loans as well as for corporate and other securities.) The growth in the annual contribution of these institutional sources of funds to the capital market is interesting:

Sources of Funds Used in the Capital Market
(Billions of dollars)

	1947	1956	% Incr.
Life insurance companies....	3.0	4.8	60
Savings and loan associations	1.5	4.7	213
Mutual savings banks......	.9	2.1	133
Commercial banks	1.8	3.1	72
Corporate pension funds....	.6	2.4	300
Fire and Casualty companies	.9	.4	—55
Total Institutional Funds	8.6	17.5	104

The growth in corporate pension funds as a source of funds has been particularly striking. While life insurance companies provided $4.8 billion in 1956 compared with $3.0 billion in 1947—an increase of 60% — corporate pension funds provided $0.6 billion in 1947 and $2.4 billion in 1956, an increase of 300%. (The 1956 drop in the amount of funds provided by fire and casualty companies was due to special circumstances; they have been providing about $1 billion annually to the capital market in the years 1947-56.)

Preliminary estimates for 1957 reflect approximately the same magnitude as 1956 for new funds provided by insurance companies, savings banks, savings and loan associations, and corporate pension funds. Fire and casualty companies were again a source of an estimated $1.0 billion. But commercial banks are estimated to have been a source of $6.0 billion in 1957, a sharp increase from the $3.1 billion of 1956. This very large increase in funds from commercial banks resulted from the striking increase in time deposits of commercial banks, some considerable part of which presumably arose from the increase in interest rates on time deposits. Principally because of the large increase in funds derived from commercial banks, total institutional funds are estimated to have provided $20.8 billion to the capital market in 1957, compared to $17.5 billion provided in 1956.

In addition to these institutional sources of funds for the capital markets there are, of course, other broad categories of sources, including individuals, state and local funds, foreigners, and to some extent corporations themselves.

Among the sources of longer-term capital for business, life insurance companies are most important. This is certainly true of bonds and preferred stocks. Life insurance companies are constantly required to find appropriate investment for their steady inflow of funds. They seek to purchase for investment large amounts of corporate bonds and preferred stock either through public offerings or through private placements of securities directly with them alone or with a small number of other buyers. Life insurance companies do not invest a large proportion of their assets in common stocks, although they have been increasing their activities in this field and it is expected this trend may grow. The percentage of assets so invested may be small, but the volume of funds involved makes them a significant factor even in common stocks.

As we have seen, pension funds are an increasingly important source of capital for business. There has been a vast growth in these funds in recent years—not only in corporations, but for state and municipal employees and teachers, private universities, labor unions and others. Some of these funds are administered directly, others by trust companies or by life insurance companies. Investment practices vary widely. In earlier years pension funds tended to be invested exclusively or largely in high grade bonds. More recently, however, pension fund managers, whether from fear of inflation or desire to participate more actively in growth potentialities of the country, have become more interested in the growth of the purchasing power of their funds and have invested increasing proportions of their assets in high grade common stocks.

Savings banks and the trust departments of banks for the trust accounts they administer are steady buyers of all classes of corporate securities, limited only by the terms of applicable state law, the terms of the trust agreements, and the judgment of the investment supervisory officials.

Commercial banks, whose principal business is making loans to their customers, are obliged in making security purchases for their own account to consider the liquidity of their investments more carefully. They, therefore, are principally buyers of short-term securities of higher grade.

Fire and casualty companies are principally buyers of preferred and common stocks rather than bonds. They are subject to regular corporation income taxes on their interest income whereas they obtain tax benefits on dividend income and pay tax, in effect, on only 15% of their dividend income.

Investment trusts, which have had a great growth in recent years, and individuals are principally buyers of common stocks, as well as convertible bonds, and preferred stocks to a lesser extent. Most investment trusts and investment companies are seeking higher rates of return and capital appreciation. They have little incentive to buy bonds, except those promising higher returns and capital gains through their convertible features.

Individuals were once buyers of corporate bonds in considerable volume. Our modern and politically inspired income tax rate structure, however, with rates going up to 91% in the higher brackets, has helped to convert more and more individuals into common stock purchasers. They may buy U. S. Government bonds in small volume for highest safety and municipal bonds for tax exemption and security. But there is little or no incentive for the individual investor to buy corporate bonds, unless the bonds have a convertible feature promising capital gain. Instead, individuals are probably collectively our biggest buyers of common stocks, partly for higher return, but primarily for capital gain and the lower tax rates applicable to such gains.

There are other sources of funds—such as educational, religious and charitable institutions and foreign investors in this country—but the foregoing summary enumerates those investors to whom your companies must primarily look in your competition with other seekers of funds to obtain outside capital to finance your future.

The Role of the Investment Banker

The role of the investment banker in financing your company's future is a varied one. He is in a sense the bridge between your financial needs and the sources of capital funds I have mentioned. He is, if you will, the expert — the professional — who devotes his experience, his knowledge of finance and of the capital markets, his skill and his imagination to helping you wisely plan you capital structure and your financial requirements. He then helps find the capital for you at reasonable terms in competition with all other seekers of funds—whether they be other U. S. business companies, Federal, state or local governments, mortgage bankers, individuals, or those seeking foreign investment.

When you select a responsible investment banker to help you and when he agrees to be your banker (which he doesn't always do), he expects to be just that—your banker—with all which that implies. He wants to get to know your industry and your business—its history and its growth potential—to be able to serve you better. He will want to visit your plant and get to know your entire management—not just your financial officials. He wants to know not only that you have good management at the top but that you have good management in depth—the younger but future bosses — and good management and personnel practices. He naturally wants to become thoroughly familiar with your corporate and financial history, your past, present and future problems and requirements — all with a view to serving you better in financing your growth wisely.

The effectiveness with which an issue of securities can be marketed can be enhanced considerably by employment of an investment banker who has established a reputation for advising and financing well-conceived and well-managed companies. The banker's sense of continuing responsibility for the enterprises and the securities with which he has been associated is known and appreciated by other underwriters and dealers and by investors. In fact, the responsible investment banker considers his reputation a much greater asset than his financial capital. He is therefore careful in selecting the companies with which he enters into a confidential and important banker-client relationship, just as the company seeking an investment banker should be careful and thoughtful in its choice.

As your advisor and banker, your investment banker can serve you in a number of different ways. Through his experience over many years in advising hundreds of clients and in distributing hundreds or thousands of security issues among buyers in the United States, Canada, Europe and elsewhere, and through his intimate daily contact with buyers of outstanding securities, he is in a position to know the potentialities among buyers of securities. The investment banker is currently informed of investment conditions and preferences, which are constantly changing, and is therefore in a position to help the prospective issuer in determining what form of security will best meet his needs and still find a market at reasonable terms.

In helping to meet the financial requirements of industry the investment banker has a primary role — that of underwriter and distributor of the securities to be publicly offered. That is, the investment banking group normally assumes the risk by agreeing to purchase the entire issue from the company at a fixed price. The company is thus assured of receiving the amount of funds it is seeking without regard to subsequent market fluctuations. The investment banker assumes this underwriting risk, which involves a commitment of his capital, in his belief that he will be able to sell the securities at the agreed offering price expeditiously. If his advance sales effort has been effective and his judgment has been good, and in the absence of sudden and unexpected adverse developments, he will often dispose of the issue in a short period of time. If his advance sales effort and judgment are poor, however, or adverse developments overtake him, he may suffer an immediate loss on sale, or hold the securities in the hope that market conditions will improve and that he can sell the issue later.

Besides underwriting and distributing publicly offered securities, the investment banker frequently serves as agent for a company in the direct placement of its securities with professional investors, such as life insurance companies and pension funds. These transactions, known as direct or private placements, involve the sale of securities by a corporate issuer to a relatively small number of institutional investors without registration of the securities with the Securities and Exchange Commission. In these cases, the investment banker advises the issuing company as to the type of security or securities to be offered and the timing, he selects the institutions to which to present the proposed financing, and negotiates with the buyer on behalf of the issuer the interest rate and other terms. Here again, the investment banker can be of great help to the issuing company through his intimate knowledge of available sources of funds and investor tastes, both of which undergo change. The banker knows who is buying what. He is also able to help his client regarding the restrictive and protective provisions which the institutional investor may wish to incorporate in the security terms. The banker knows what can be done and what is fair. The investment banker naturally tries to get the best possible terms for his client, the issuing company, whereas the professional buyer for the institution is similarly trying to get the most advantageous terms for his institution.

The investment banker also performs many advisory services where no underwriting or private placement of securities is involved. Sometimes a company desires to retain an investment banking firm for general consultation over a long period of time, or on a specific problem—for a reorganization, a merger or sale, and for other specific purposes.

Through his reputation and his knowledge and services, the investment banker can also be helpful to a growing company in the all-important job of properly informing and maintaining good relations with institutional investors, security analysts, rating agencies, stockholders and others whose good opinion a growing company should value. Good relations with these groups are indispensable and should be the subject of continuing long range efforts on an informative, responsible basis by the company and its banker.

Whether he is advising and planning with you on your capital structure and financial policies, helping you to tailor your security offerings to the market, underwriting and distributing your securities to hundreds or thousands of individuals, institutions and other sources of capital funds, placing your securities privately with a limited number of institutional investors, advising you on a merger, a corporate reorganization, or sale, or helping you dis-

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Financing Your Company

pose of a large block of closely held securities—and meeting the legal, registration or other requirements in all of these—the investment banker is serving as the bridge between the sources of capital funds and your financial needs for your further growth and success.

Methods of Financing

Now, with particular reference to industrial companies, I should like to discuss some of the methods of financing available to a growing company. In doing so I should like to review briefly some of the types of securities used in financing and—at greater peril—express a few "do's and don'ts." You will realize that I can only generalize and only discuss some aspects of the problem. Individual company problems require individual answers. And perhaps I should add that opinions among bankers even about generalized conclusions may differ.

Short-term borrowing, usually from commercial banks, has an indispensable role in financing. These borrowings — usually one year or less—are primarily for the purpose of financing necessary inventories and accounts receivable. In some instances commercial bank loans for terms up to 3-5 years may provide interim financing for capital improvements. Here, however, a word of caution is required. Short-term commercial bank loans can be properly used for interim capital needs to make possible orderly long-term financing, **but not** as a substitute for it. Temporary money can be borrowed from commercial banks until the amount involved builds up to a level sufficient to warrant the sale of a security issue. Then upon completion of long-term financing, the proceeds can be applied to paying off the short-term debt. Short-term financing for capital improvement should only be done when the warranted expectation is that long-term permanent financing can be arranged.

Short-term commercial bank financing can be unwise if it is used for the purpose of outguessing the capital market, for delaying long-term financing in the hopes that interest rates or the stock market will improve. You may be right; you may as often be wrong. Clearly there are occasional points of time—such as a sudden unexpected international or domestic development—when capital markets are temporarily upset. But, in general, your corporate purpose is not best served by gambling on interest rates or stock prices.

When it becomes necessary to raise long-term money through the sale of securities, a decision must be made as to what type of security to sell—debt, preferred stock, common stock, a convertible issue, or a combination of these. Even if the general decision is to raise money through debt securities there are many choices and variations within this category alone—debentures, subordinated debentures, convertible debentures and other possibilities. A specialized form of long-term financing — about which I shall have some caveats later — is used by some industrial companies, namely, the sale to institutional investors of properties which are then leased back by the company on a long-term basis.

Issuing companies and investment bankers do not lack for choices in types of financing vehicles. The skill and imagination of the bankers and corporate lawyers over the years have developed a wide range of possibilities and have given us great flexibility in choosing methods of financing best suited to the individual company's needs.

The decision as to the type of security to be offered will be influenced by many factors — the nature and size of your company, the stability or growth of your business, your capitalization ratios and your earnings coverages, the outlook for the future, the amount of money you want to raise, your long-term plans, and the condition of the market, including availability of funds and investors' tastes.

A number of managements of larger industrial enterprises are opposed to selling any security other than common stock. They prefer to have no long-term debt, to have a strong, simple capitalization represented 100% by common stock. For some companies this may be desirable or the only capitalization possible. But while such a capitalization may be the strongest possible, it does not necessarily serve the best interests of either the company or its stockholders. There can be important advantages from the proper use of debt financing. It can be the cheapest method of financing. Since the interest on debt is deductible for tax purposes while dividends on stock are not, the net cost of debt money is usually very much less than the net cost of common stock money. Moreover, the use of debt securities widens the sources of funds for a company, since many institutions such as life insurance companies are restricted as to the amount of stock they may purchase. Without the use of debt securities, these large institutional sources of funds cannot be fully tapped and the company's financing program is deprived of flexibility. The prudent use of debt permits management to raise external capital without either diluting the control (where this is a factor) or increasing the investment of the existing equity holders. Finally, through the leverage factor, debt money permits higher earnings on the common stock when the borrowed money can be used profitably.

Since debt has been used for the bulk of corporate financing from outside sources, it is perhaps prudent to caution, however, that there can be distinct disadvantages to debt money. It may reduce the ability to borrow in the future; in periods of declining earnings the leverage factor could magnify the decline in earnings; in real adversity debt can lead to serious trouble. The obvious conclusion is that debt must be used wisely. Whether a company is borrowing too much or plans to borrow too much can be answered only in each individual case. A company should certainly avoid a debt that could endanger its solvency. And it always should borrow less than it can. It is vital for every company to keep in a modest debt position so that it always has some additional borrowing capacity in reserve against the day when money is needed and borrowing is the only practical way to get it. The advantage of debt from the point of view of the tax factor should not be allowed to outweigh discretion in financial planning.

One of the more significant developments in modern corporate financing is the increased use of unsecured debentures rather than mortgage bonds, particularly in the industrial fields. In case of default, the creditors' remedy of seizing fixed assets of industrial companies is less meaningful than in the case of utilities, for example, because the industrial plant is more dependent on management and other factors. Creating mortgages, moreover, is both complex and expensive. The unsecured debenture, however, can give the creditor adequate protection through a variety of restrictive provisions, such as a prohibition on prior liens on assets, limitation on additional funded debt, maintenance of minimum working capital levels, limitation on dividends, and restrictions on the sale and lease-back of major properties.

A sinking fund is also very common in debentures. This usually provides for annual retirement of a portion of the debt. This is a major point of interest to institutional investors particularly, who want a regular turnover of their investment funds in order to average out on changes in interest rates. A sinking fund also provides market support over the years as the company buys in debentures to meet sinking fund requirements. The sinking fund is an attraction to buyers and accordingly a factor in pricing the securities.

A variant of the straight debenture which has been popular in recent years in industrial financing is the convertible debenture. This security permits the holder to convert into common stock of the company. Because it combines the defensive or protective advantages of a debt security with the speculative appeal arising from the growth potential of the common stock into which it is convertible, it often attracts wider investor interest and can be sold at a better price than straight debt. Moreover, since the conversion price is usually set somewhere above the market price of the common stock, the use of convertible debt, assuming continued growth of the company's earnings, prevents the immediate dilution of earnings which common stock financing entails and is equivalent to the sale of future common stock above the present market price.

The danger of convertible securities is that a drop in earnings or in market price of the common stock will frustrate the early conversion of the debt into stock and leave the company saddled with debt. If you are selling convertible securities, you should have well warranted confidence as to the continued growth of your earnings and the market price of your stock so that conversion of the debt into stock is assured. In any event, your debt financing should not be so heavy that failure of the issue to convert would unduly and adversely affect your ability to finance in the future.

In recent years there has also been a growing use made of subordinated debentures, usually with conversion features. These subordinated debentures are payable in case of difficulty only after the senior debentures have been paid. In many cases, the subordinated debenture may have an investment rating about equal to that of a preferred stock, but from the company's point of view it has the advantage that its interest is deductible for tax purposes whereas preferred dividends are not.

Preferred stocks are another form of hybrid securities which sometimes have a place in your financing plans. The company thereby obtains money at a fixed rate, giving it greater earnings leverage. It is more costly than debt, but has the advantage of not risking bankruptcy in adversity. Modern preferred stocks have protective and restrictive provisions not dissimilar in may ways to debentures and frequently have other provisions to aid their sale, such as sinking funds, purchase funds, or conversion or income participation features. They have appeal particularly to certain institutional investors whose dividend income is 85% tax exempt, and because they yield more than bonds.

Common stock financing has increased substantially in recent years. In the two and one-half years ended June 30, 1957, U. S. industrial corporations sold more common stock than in the five years 1950-1954 inclusive. Some of the increase represented the dollar increase in total financing, but the equity portion has increased at a faster rate than the total in recent years. (If convertible securities were included, the increase would be even more striking.) Common stock financing in the $2\frac{1}{2}$ years ended June 30, 1957 averaged about 21% of total securities offered to the public for cash compared with about 14% of the total for the previous five years 1950-1954.

This increase in common stock financing is interesting because from a cost point of view, debt securities always appear cheaper than issuing stock. Interest is deductible for tax purposes, and with our present corporation taxes the net cost of borrowing is therefore only about one-half of the interest rate paid.

Corporate managements have apparently seen the wisdom of obtaining permanent capital when market conditions are favorable for equity financing even though debt securities involve less cost. The addition of equity capital improves their capital ratios and gives them greater flexibility to incur debt in the future if that is desirable or the only practicable method of obtaining needed funds.

We have emphasized earlier the wisdom of never borrowing all one can—of maintaining a cushion of flexibility to permit borrowing when that is required. We have also suggested that corporations are not well advised to let the tax factor unduly influence their financial structure and planning.

It is also well to suggest the avoidance by industrial companies of too complicated a capitalization with numerous layers of securities — debentures, subordinated debentures, convertible debentures, preferred stock, and two classes of common stock. There may be occasions for complicated finance—sometimes out of necessity—but often complicated financial structures and bizarre financial mechanisms arouse suspicion rather than confidence in the banker and the investor on whom the company must rely for external financing of its growth.

The current popularity of lease or of sale and lease-back arrangements, for example, may lead to some misconceptions. Under these arrangements companies may sell their properties to institutional investors and then lease them back under long-term arrangements, or enter long-term commitments to lease properties. These obligations may not show on the balance sheet as capitalized debt, but they are certainly comparable as obligations. There is an increasing awareness of this fact by institutional lenders, security analysts and bankers. Such lease rentals for essential productive properties are little different than direct obligations to pay interest and amortization on debt, except that the borrower usually pays a higher rate than he would if he borrowed directly on his credit for the amount involved, since the quality of the lease rental is no better than the company's own credit.

Attaching warrants to debt securities entitling the holder to purchase common stock at some time in the future is another example of a financing mechanism which sometimes has a place in financing — perhaps most appropriately in corporate reorganizations—but it also may have disadvantages. The corporation cannot be sure the warrants to purchase stock will be exercised. It has no control over their exercise. If exercised by the warrant holder, the corporation may or may not have need for the money at the time. In most cases warrants are a sales device and might better be avoided if possible.

The sound and growing industrial corporation desiring to finance itself in the capital market can with the help of its bankers utilize a variety of flexible instruments and still do sound financing. It is seldom necessary to engage in bizarre devices or complicated capital structures. If it is true, as it is, that conservative investment bankers should be imaginative, it is perhaps equally true that the imaginative corporate official or banker should have due regard to the values and the importance of the conservative investor.

Will We Have the Savings Required?

Finally, having suggested that the probable future demands for capital will be very great indeed, having examined some of the present sources of capital, and having described the role of the investment banker in helping you meet our future needs through the various methods of financing open to you, I believe we should ask ourselves: will the future demands for capital be met? Will we create the savings and form the capital to finance our continued dynamic growth? And, most important of all, how can we achieve these objectives and at the same time maintain and strengthen our present system of individual competitive enterprise in political and economic freedom?

I believe that the future is more challenging than it has ever been before. Businessmen and individuals must play a much more active role in promoting and strengthening in every way we can those governmental policies and individual beliefs which will maintain reasonable stability in the purchasing power of the dollar and encourage voluntary savings and formation of capital on the scale required, and assure in other ways the continued free and dynamic growth and strengthening of this country. This will not be easy.

The international Communist conspiracy and dictatorship has declared virtual war against the free, civilized world—against our way of life. There is no secret about their aggressive expansionism—their determination to achieve world domination. We in the United States face an awesome responsibility as the leader of the free world. We have a grave responsibility not only to provide leadership in the defense and strengthening of the free world; we must also maintain and strengthen our dynamic free economy here at home. Our job is to so organize and conduct ourselves that we achieve maximum political, military, economic and moral strength and have dynamic progress with political and economic freedom.

We face the probability of a long and sustained period of international political tensions, cold war on the diplomatic, economic and propaganda front, and large defense expenditures. Our defense expenditures, already high, have every prospect of going higher. And these high defense expenditures are not a passing phenomenon. Much as the world and we may yearn for peace and disarmament, there is no good basis for hoping for an early respite. So we have before us the dreary prospect of high and rising defense expenditures over the indeterminate future. Under these circumstances, while providing all that is required for intelligent, modern defense, we must equally support our defense posture with an economy which is marked by economic and financial strength and by dynamic growth.

This will require not only increased skill, determination and sacrifice on the part of all of us as citizens. It will require efficiency and economy in all levels of Government expenditure — Federal, State and local. It calls for a revised incentive tax system that rewards initiative and responsibility, and encourages investment in further economic growth and strength. It requires statesmanship and moderation in management

and labor policies to encourage greater productivity and ever-widening production and free markets based on efficiency and competition. It requires an independent Federal Reserve System and sound monetary and fiscal policies to preserve faith in our currency, to encourage people to save and to form capital, and to invest their savings and capital in greater productivity and strength for America.

We must provide all the funds that modern, intelligent defense and international security require. Modern defense equipment and essential research and development, however, are ever more costly. We cannot afford the luxury of waste or duplication in our military services. We cannot afford at this time the less essential governmental programs which, though worthy, can be reduced or postponed or be better transferred to the state and local level. We certainly can ill afford those subsidies which pressure groups have saddled on our government and which, in many cases, only postpone the adjustments essential to the long-term welfare of the special groups they were originally designed to help.

With defense and other Federal expenditures continuing at a very high level for an indeterminate future, we cannot responsibly fail to collect taxes over the same indeterminate future adequate to balance our expenditures. But I believe we can responsibly insist on prudence in all Government expenditure. And we certainly should correct those remaining inequities in our present tax system which encourage tax avoidance, discourage income creation and initiative, and diminish the investment of venture capital for the further dynamic growth of our economy and the further modernizing and strengthening of our industrial plant and equipment.

I refer, first, to the present individual income tax rates which go as high as 91% in the upper brackets. They were largely politically inspired. They discourage income creation and encourage tax avoidance and the endless game of seeking all possible legal loopholes to convert income into capital gains which are subject to lower tax rates. The excessively high rates contribute to a moral decay in the citizen's approach to his responsibility in paying taxes. They discourage the creation of savings and capital that would assume risks in new enterprises and economic growth. We could, for example, limit individual income taxes to a maximum rate of 50%, receive countless benefits in increased initiative, savings and investment in new and growing enterprises, and lose much less than $1 billion out of Federal tax revenues now approaching $75 billion annually. With further growth from expanded savings and investment and higher income, future revenue gains would more than offset the initial loss in tax revenues. One of the main arguments originally used to justify steeply progressive individual income tax rates was that they would discourage savings. That argument may not even have been appropriate in the 1930's when some of our pundits and leaders were proclaiming our economy had matured and was stagnant. It certainly has no place in an expanding America where one of our great problems is creating adequate savings for further growth.

I refer, second, to the remaining double taxation of dividends. The corporation pays a tax on its earnings before dividends are distributed to stockholders. It is manifestly unfair to tax the stockholder on the same income. As we have seen, this double taxation may tend to distort management's decisions on distribution of its income and tends to encourage debt financing rather than equity financing. We need the maximum encouragement to savings and to expansion of risk capital investment so that more and more jobs can be created for our growing population. Tax relief which would encourage investors to invest in the growth and development of established and new business is in the interests of all the citizens.

Thirdly, I refer to our present tax policies on depreciation of plant and equipment. Although improvements were made in the 1954 tax revision law, a searching examination should be made of the adequacy of present depreciation allowances permitted to business. Inflation and rising costs have in many cases made allowable depreciation rates wholly inadequate to provide for the replacement of existing plants as they become obsolete. We need liberalized depreciation allowances as a tax incentive for the replacement of obsolete facilities.

You may say that the tax revisions I advocate are "lost causes"— that "politics" will prevent the corrections of these inequities. I do not accept that counsel of despair. Our personal savings in recent years have not shown the same growth as other factors in our economy. The demands for capital for future growth will, I believe, be so large that we cannot for long afford the luxury of tax disincentives to saving. Some improvements were made in 1954. I do not accept the impossibility of further improvement. An aroused, responsible business community, acting as individuals and as groups throughout the country, should present its case forcefully for a stronger America.

Beyond prudent Government expenditures and a revised incentive tax system, those of us who wish to encourage savings and capital formation to meet the future financial needs of a growing America should fully support an independent Federal Reserve System, free to pursue its monetary and credit policies for the general welfare of the country. In its efforts to contribute to economic stability and growth, to prevent excessive credit expansion, to help maintain reasonable stability of our money, and to "lean against the wind" of either inflation or deflation, the Federal Reserve System is making a vital contribution to the growth of savings and to the continued sound expansion of our economy. It deserves our active interest and support.

Much has been said in recent months and years about "tight money." Much of it has thrown more heat than light on the subject. With the great increase in demand for capital funds and credit, interest rates—that is, the price of money—rose. Prices usually do rise if demand increases and the supply is not adequate. Money or savings are no different, unless we unwisely use Federal credit and power artificially to increase the money supply beyond the legitimate needs for orderly expansion—that is, in effect, print money. Our previous Federal policies—prior to 1951—did artificially support U. S. Government bond prices, create artificially easy money, and contributed substantially to the inflation which bid up the prices of everything government, business and the consumer had to buy. It cost us untold billions of dollars in higher prices for the same amount of goods. It also robbed the saver of part of his money and discouraged him from saving more. "Easy money," artificially low interest rates, pegged Government bond prices mean inflation and discouragement of savings. So-called "tight money," or to be more truthful about it, realistic interest rates responding to demand, means honest money and encouragement of savings. And lest we forget, interest rates in this country were much, much lower even at their highest point in 1957 than in virtually all other countries of the world. If we want savings—and we need them badly for our future growth—money should earn its fair return in our free market system. And the saver must have confidence he is not going to be robbed of his savings by inflation.

Conclusion

Let me conclude by quoting these words of a friend of mine:

"Did you ever stop to think why Americans have a higher standard of living than others in the world? Why American productivity is greater than the productivity of any other nation? Why we are so powerful and strong? Just by themselves an American's two hands are no stronger, no better, not much more effective than those of the citizen of any other nation. Why is it then that American hands can do so much more than any other hands in all this world? Perhaps an American's hands can do more partly because of more widespread education in this country.

"But there is a much more basic reason without which the highest educational level would be unproductive. The real reason is the fact that somebody saved.

"Because somebody saved there were funds available which attracted expert management to invent, design and build efficient machinery, factories, mills, explore for and develop mines and oil wells, provide transportation, and power plants, which through management and organization put tools, equipment and tremendous power into every pair of hands in this country backed up by thousands of dollars of investment, to multiply by tens, twenties and hundreds the strength, the ability and the effectiveness of those American hands as compared with any other hands elsewhere.

"That is why, and the real reason why, Americans can create so much more than others in this world.

"Because we can create more we have more, and that is why we have the highest standard of living on earth and stand in the earth's most powerful position. Because somebody saved, Americans have jobs today. Because somebody saved, Americans have and are what they are today."

Let us keep going forward that way—in strength, and in freedom.

With Collin, Norton Co.

(Special to THE FINANCIAL CHRONICLE)

TOLEDO, Ohio — Donald F. Grueshaber is now connected with Collin, Norton & Co., 506 Madison Avenue, members of the New York and Midwest Stock Exchanges.

Byron Thalheimer Opens

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Cal.—Byron A. Thalheimer is conducting an investment business from offices at 430 North Rodeo Drive.

T. A. Nilsen Opens

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Theodore A. Nilsen has opened offices at 125 Cambon Drive to engage in a securities business.

Mallory Securities Inc.

Mallory Securities Inc. is engaging in a securities business from offices at 37 Wall Street, New York City.

Schirmer, Atherton Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Philip F. Gogan has become affiliated with Schirmer, Atherton & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The money market is still waiting for further developments along lines which will bring greater ease into the money and credit picture. The reduction in margin requirements for the purchase of stock by the Federal Reserve Board is another indication that the economy continues to be on the defensive. This should be followed in the not distant future by other measures which should tend to make for easier money conditions, since weakness in the business pattern in the past has generally brought with it more ample credit and lower interest rates.

The Government market after a very fast and sharp rise seems to be bumping into a temporary top. It is evident that traders, and dealers in many instances, believe that the advance from here on in will not be so easy because of the very likely increase in the debt limit and new money offerings of Treasury obligations. The refunding operation of the Government, expected to be announced soon, is also tending to take some of the glamor away from the outstanding issues. Nonetheless, the profit-taking is being well absorbed because investors are still very much in the Government market.

Another Indication of More Credit Ease

The reduction in margin requirements for stock transactions from 70% to 50% by the Federal Reserve Board is another straw in the wind showing that the powers that be are still moving in the direction of ease as far as the money market is concerned. The fact that less money will be put up by those who buy equities with borrowed funds definitely indicates that some of the fear of inflation must be receding in the opinion of the monetary authorities. Additional evidence of this thinking is seen in the just announced reduction in the discount rate from 3% to 2¾%. This action was followed by a cut in the prime bank rate from 4½% to 4%. This lowering of margin requirements does not make more credit available to the banking system, even though it does make it easier for loans to be created by those who want to buy stocks with borrowed money. To the extent that there will be an increase in loans to buy stocks there will be a similar increase in deposits, which will tend to offset the decrease in deposits caused by the decline in other loans. In the immediate future, it is not expected that the loans increase resulting from the lowering of margin requirements will be very significant.

Bond Market Seen Favored

Money market specialists are looking at the decrease in margin requirements as a favorable development for the bond market because they believe that there would have been no reduction in stock margins as long as the loan demand for other purposes continued to be very strong. A decrease in borrowings for business purposes means that the economy is on the defensive and more money will be available for investment in fixed income bearing obligations. In addition, in order to more effectively combat the declining trend in the business pattern, the monetary authorities will most likely take action one of these days which will immediately increase the supply of money and credit. Some of this will come through open market operations, which is slower but more flexible.

On the other hand, a decrease in reserve requirements of the member banks of the system would be faster and immediately effective.

Action along the latter line is still being expected in most quarters of the financial district.

Banks' Reserve Positions Continue to Improve

For the third week in a row the reserve position of the memebr banks of the system was improved. This means that more money is available for either loans or investments by these deposit institutions. Since the trend of business is still downward, and there is continued liquidations of inventories, it is believed that more of the money that is now available to the commercial banks will be seeking an outlet in the bond market. This is being reflected in the enlarged demand for the most liquid obligations, since many institutions are very desirous of improving their short-term resources.

Projected Refunding Operation Evaluated

The impending refunding operation of the Treasury is becoming more of a market factor each day, since it has the operators in Government securities trying to figure out what kind of issues the Treasury will use to take care of the maturing obligations. There seems to be no question but what there will be a choice given to the owners of the February-March maturities which will most likely be handled in one operation, probably along with some new money financing. There is considerable talk about a long-term bond being part of the package that will be offered to the holders of the maturing issues as well as for cash purposes. From the testimony, stories and guesses coming out of the Nation's capital it seems as though a 3¼% coupon rate in order to extend maturities would not be a surprise to the money market. There are also some opinions that a 3% rate should not be unexpected. Shorter maturities tailored to meet the needs of the Central Bank will also be part of the deal. The money market is well prepared for the coming operation.

Charles A. Fuller Now With E. J. Prescott Co.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — Charles A. Fuller has become associated with E. J. Prescott & Co., 607 Marquette Avenue. Mr. Fuller has recently been with Merrill Lynch, Pierce, Fenner & Beane. In the past he was head of Charles A. Fuller Co.

With Richard J. Buck

BOSTON, Mass. — Ethel B. Eldredge has joined the staff of Richard J. Buck & Co., Statler Office Building.

Smith, Barney Branch

SAN FRANCISCO, Calif.— Smith, Barney & Co. has opened a branch office in the Russ Building under the direction of Theodore L. Haff, Jr.

Continued from page 3

The Outlook for Business And the Stock Market in 1958

progressive individual income tax structure such as ours, in which rates reach 91%, is one which bears relatively lightly on the very rich, but imposes an almost impossible burden on the most productive elements in the community—the able and ambitious individual who can earn a large income for a few years and should have a right to accumulate capital. Our personal income tax structure is a positively harmful force which is continuously at work, and devout Marxists in Russia must be smiling now at the fact that an unanticipated effect of the launching of the sputniks is apparently to cause us to abandon all thought of diminishing this particular harm which we are doing to ourselves.

This matter of possible tax reform has great significance at this juncture, because, in the past, *tax reduction has always been a prompt economic stimulant of the most powerful kind.*

A reasoned long term forecast surely requires assumptions concerning these potential threats to our economic health. With respect to the first of these major threats, it would seem that although our debt is at record levels, it has not yet reached a point at which it is unbearable. Therefore, for the next several years at least, mounting debt will probably not of itself be an obstacle to continuing economic progress.

With respect to the fact that labor has become too powerful, there is evidently now growing in the country an increasing realization of the dangers of excessive labor power, and some redress in the present unbalance through legislation, and especially through a changed public opinion, seems to be in the making, therefore here too we have no insuperable barrier to economic progress.

Tax Reform Advocates

In the matter of taxation, the Ways & Means Committee, which is now conducting hearings on tax policy, is listening to a parade of witnesses who are virtually unanimous in asserting that the most effective action that could be taken by Congress to help small business would be to reduce the steepness in the progression in rates in the personal income tax. These witnesses are equally in agreement in asserting that if the progressive character of the tax rate structure were modified, the Treasury, as a result of the stimulus to business which tax reduction would bring, would collect more revenues than if taxes were left at present levels. It still seems possible that the fact that the downward slide in business is accelerating may frighten both Congress and the administration into making needed tax concessions. In any event, it is unlikely that in the present year, at least, our present bad tax structure will be made even *more* harmful.

Elements of Strength

We've been talking so far about the unhealthy aspects of our economy, and its current weaknesses. To get a balanced picture, let us now consider some of our *important elements of strength.* The first of these is that we have a stable government, and that both political parties are probably now more conservative in a capitalist sense than was the case 20 years ago when we had the last bad economic slide in this country. Secondly, the *rate of invention* in this country has accelerated tremendously, and a larger part of our national effort is now devoted to research and invention than ever before. Invention provides the most powerful kind of continuing stimulus to a competitive capitalist economy and hastens the obsolescence of both capital goods and consumer goods. Thirdly, and this is most important, although the *rate of saving* in this country, largely as a result of our harmful tax structure, is probably inadequate to take full advantage of our rate of invention, nevertheless the rate of saving is now high, and due to the growth in corporate pension funds, and the successful salesmanship of the life insurance companies, *more systematic* and highly institutionalized than ever before. Parenthetically, the institutionalization of savings, and the shortage of venture capital resulting from our tax structure, mean that the benefits of invention are to an increasing extent concentrated in existing strongly financed corporations—the kind that we in the securities business are primarily interested in.

Finally, *population growth* and our increasing international responsibilities constitute a continuing economic stimulus, which, along with a high rate of invention, can in time probably *be depended upon to reverse present declining tendencies, and ultimately assure that our productive capacity, which now appears excessive, will be fully put to use.*

Summarizing all these factors into a forecast, it seems logical to assume that Congress will not take the one effective action—tax reform—which could promptly reverse declining tendencies. Therefore this recession, despite credit easing, increased aids to housing construction, acceleration of the highway program, increased missile activity, etc., must run its slow and painful course. At a guess, the low point in business activity won't be reached before the third quarter, and the recession could well drag on considerably longer. In fact, the *time that it lasts* rather than the *depth to which it goes*, is apt to distinguish this recession from other post-war setbacks.

For the stock market, the credit easing which has already taken place should protect great areas of the list—stable dividend-payers of all kinds—from further decline. However, cyclical issues, especially those with insufficient investment stature to qualify for institutional purchase, and others exposed to the full force of business recession and the profit squeeze, seem likely to provide many candidates for the daily list of "new lows" over the next several months.

Despite this drab prospect, there are a few areas, aside from the groups which will be helped by the further credit easing which now seems in prospect, which appear to hold especial interest and should provide good candidates for purchase. For example, research and invention play a dominant part in the success of the *drug* and *electronics-electrical equipment* industries. Moreover, both electronics and electrical equipment will be favored by current trends. Business recession will slow down, but not reverse the steadily increasing demand for electric energy. Therefore the utility companies will be as good customers as ever for heavy electrical equipment this year, and accelerated missile activity will help electronic companies.

From Automobiles to Homes

Finally, two important complementary trends in our economy are likely to operate significantly in affecting important groups in the stock market in the next several years. One of these is the now apparent ebbing in the long love affair of the American public with the automobile. On one hand a growing regard for utility, and a diminished enthusiasm for longer-and-lower chrome-hung, glass bubbles seems to summarize a plainly visible automotive trend, and, on the other hand, Americans seem now to be in a mood to lavish increasing affection on their homes. *In time the home rather than the automobile may become the accepted symbol of social status.* We've often contemplated with a smile the spectacle of a hovel with a Cadillac parked beside it. A more typical picture in the 60's may be a well-landscaped suburban jewel with two Volkswagens in the garage.

On this subject of housing, the number of housing units now available to the American population is estimated at around 56 million. The present rate of construction of a million units a year seems clearly inadequate to support the multiple demands arising from obsolescence, fire, population mobility, deliberate destruction as the result of highway relocation and slum clearance, and new family formation which in the next several years will begin to accelerate fairly rapidly.

Several steps have already been taken by federal agencies to make more money available for home construction, and Congress seems likely to act energetically in this politically popular area in the current session. Moreover, credit easing by itself should have a stimulating effect. Thus, *those companies which sell materials used in dwelling construction seem to face the prospect of a steadily expanding market for many years to come.* In this connection, the tax advantages now enjoyed by companies whose business is that of exploiting forest growth seem well worth the attention of analysts.

We've now reviewed some of the assumptions which are basic to any long term forecast, we've taken account of some of the important short and long term trends at work in our economy, and we've made forecasts concerning the trend of both business and important groups in the stock market.

Despite the fact that the present recession seems likely to be painfully long drawn out, *we should not forget that the foundations for future investment success are laid in times like these.*

Forming Burch Co.

Norman Burch will acquire a membership in the New York Stock Exchange, and on January 30th will form Burch & Co. with offices at 44 Wall Street, New York City. Henry G. Fownes will be a limited partner in the firm.

Cahill, Smith & Gallatin

The firm name of Cahill & Bloch, Smith & Gallatin, 11 Wall Street, New York City, on January 28th will be changed to Cahill, Smith & Gallatin.

Dempsey-Tegeler Branch

NORTH HOLLYWOOD, Cal.—Dempsey-Tegeler & Co. has opened a branch office at 12138 Victory Boulevard under the management of Robert N. Hoffman.

Arthur W. Ackerman

Arthur W. Ackerman passed away January 14th at the age of 62. A member of the New York Stock Exchange for almost 26 years, he was a vice president of Semple, Jacobs & Co. Incoporated.

Mountain States Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Thomas F. Nieman, Orville L. Oakes and Norbert B. Sauer have been added to the staff of Mountain States Securities Corporation, Denver Club Building.

Continued from page 5

The State of Trade and Industry

States Department of Labor and Commerce revealed, with officials adding that extensive layoffs have occurred since then.

The increase in idleness in the month to mid-December was considerably less than the nearly 700,000 rise the month before, but the traditional months of highest unemployment are just ahead.

The actual number of unemployed at mid-December was put at 3,374,000. This figure can't be compared accurately with the year-ago figure because a new definition of unemployment now includes more persons than were formerly counted. Under the old system, the December figure would have been 3,140,000, which can be compared to the December 1956 figure of 2,479,000.

The increase to mid-December's brought the rate of unemployment to 5.2% of the work force, highest level in three years and highest December rate since 1949, the department's declared.

This over-all rate was exceeded by jobless percentages of 7.5% in durable goods manufacturing and 14% in construction. The report attributed 70% of the year-to-year rise in unemployment to these two industry divisions, although jobless rates rose somewhat in soft goods manufacturing, transportation and mining.

In a year-end review section, the report observed that the autumn rise in unemployment followed more than two years in which unemployment averaged about 4% of the work force. For the year 1957 as a whole, the government said, employment averaged an unprecedented 6,500,000, about 300,000 over the 1956 level. The number of non-farm workers on overtime at year's end was about 2,000,000 less than in December, 1956 while the number cut below 35 hours a week because of slack work and other economic factors was up by 250,000, the report further noted.

In the automotive industry scattered shutdowns in the auto plants cut production 6.1% last week to 129,622 cars and trucks from 138,068 in the preceding week, "Ward's Automotive Reports," stated on Friday last. The week's effort ran 22.8% below the 167-912 built in the same week last year.

Despite shutdowns to trim dealer inventories, January production still is running at the fourth-best monthly level in history, this trade weekly noted.

The statistical service predicted that close to 500,000 cars will be assembled in January, barring further shutdowns, a level exceeded only by January, 1957 at 642,090 units, 1956 at 612,078 units, and 1955 at 659,508 units.

It further declared that January production is being geared closely to sales trends and added that the strength of assembly operations for the period Jan. 20-31 will depend upon auto retailing at that time.

January auto sales volume opened on a weak note but defies accurate appraisal due to the momentary letdown in retailing following termination of dealer sales contests that ran throughout December.

"Ward's" reported that Chrysler Corp. slashed its auto making by 36% the past week, but nevertheless was a bright spot in the Jan. 1-10 auto retailing as its penetration of the market jumped to the highest monthly level since last October.

Idled last week for adjustment of new car stocks was Studebaker-Packard Corp. at South Bend, Ind., and Dodge and De Soto at Detroit, Mich. In addition, Plymouth showed a decline from last week, Buick canceled Friday assembly at its Flint, Mich. plant, as did Ford at five of its plants.

New car sales for the Jan. 1-10 period were equivalent to a 400,000-unit monthly rate, according to "Ward's," but hopes are that the Jan. 11-20 period will show an increase that will put the month closer to the 450,000-unit level. Continued shutdowns in the auto plants are in prospect until inventories are balanced with sales, "Ward's" concluded.

Personal income in December was at a seasonally adjusted annual rate of $343,000,000,000, down $2,500,000,000 from the previous month and a full $4,000,000,000 below the August, 1957, high, according to the United States Department of Commerce. The total for the full year of 1957 was $343,000,000,000, which was $16,000,000,000 or 5% above 1956.

Industrial production, the Federal Reserve Board reported, fell to 136% of its 1957-49 average in December. This was 3 points or 2% below the previous month, and 11 points or 7% below the record high of 147 in December of 1956. However, the Board noted, industrial production for 1957 was 143, the same as in 1956.

The bulk of the decline in the annual rate of personal income was in dividends and reflected less-than-usual volume of year-end extras and special payments, the agency added. The drop in December from the previous month was the sharpest fall personal income has taken since it started sliding in September.

The $343,000,000,000 of personal income for calendar 1957 accounts in part for the government's predicted $400,000,000 deficit for the current fiscal year which ends next June 30. Earlier, the government had been counting on personal income of $344,000,000,000 to help produce a $1,500,000,000 surplus. The combination of lower personal income, lower corporate profits and higher spending wiped out this surplus and resulted in the predicted deficit, it was further reported.

Although the volume of December new business incorporations advanced moderately over November, the aggregate for the year 1957 was below the record level of the previous year, according to Dun & Bradstreet, Inc. The number of new concerns chartered in 1957 was 136,697, down 2.9% from the 140,775 of 1956 and 2.1% below the 139,651 of 1955.

December incorporations totaled 10,575, or a gain of 14.1% over the 9,270 recorded in November. The level was 2.0% under the 10,788 new concerns listed in December, 1956.

Steel Output Expected to Decline to 93.4% of Ingot Capacity This Week

Metalworking can count on $17,300,000,000 worth of new defense business in 1958, the biggest Pentagon spending since Korea, "Steel" magazine reported on Monday of the current week.

The new orders may bring back the days of high backlogs for

some metalworking firms and may be the stimulus needed to start an economic uptrend, the metalworking weekly noted.

During the first half, the industry will get orders worth $9,800,000,000 for military hardware such as aircraft, missiles and parts. In the second half, it will receive $7,500,000,000 worth, the amount it is also expected to get in the first half of 1959. The industry this trade weekly adds, will not ship that value of products to defense agencies during the year, since the orders will be reflected in production up to two years ahead.

Prospects for an upturn in steel production over the immediate weeks ahead are dull, the publication said.

In the week ended Jan. 19, mills produced steel for ingots and castings at a rate of 56% of the Jan. 1, 1958, capacity. The same rate prevailed in the preceding week and yields 1,510,000 net tons. The new weekly capacity figure is 2,699,173 net tons, up 139,683 tons from the capacity for 1957.

Sluggish demand for steel is having little effect on prices, since "Steel's" price composite on finished steel remained unchanged at $145.42 a net ton. Scrap prices are holding at the slightly higher level of a week ago. "Steel's" price composite on No. 1 heavy melting grade remained at $33.33 a gross ton.

The construction industry "Steel" notes, is starting to live up to its billing as a good performer in 1958. In the last couple of weeks, inquiries for fabricated structural steel in the Chicago area have increased and they include a fair number for industrial construction, mostly for light work.

The publication said the latest government statistics show the nation's two top steel consuming states are Michigan which uses 17.27% and Ohio 13.42%.

Producers of motor vehicles and parts, it added, make up the largest single consuming industry in both states. Michigan represents 66.37% of the state's steel usage and Ohio 20.65%.

In commenting on labor relations news affecting metalworking, "Steel" declared that professional mediators may be called upon for a record amount of peacemaking in 1958, since both the auto and aircraft industries go to the bargaining arena before mid-year.

The American Iron and Steel Institute announced that the operating rate of steel companies, having 96.1% of the steelmaking capacity for the entire industry, will be an average of 93.4% of capacity for the week beginning Jan. 29, 1958, equivalent to 1,500,000 tons of ingot and steel for castings (based on average weekly production for 1947-1949) as compared with an actual rate of 95.7% of capacity, and 1,538,000 tons a week ago.

The industry's ingot production rate for the weeks in 1958 is based on annual capacity of 140,742,570 net tons as of Jan. 1, 1958.

For the like week a month ago the rate was 85.0% and production 1,366,000 tons. A year ago the actual weekly production was placed at 2,472,000 tons or 153.9%.

Index of production is based on average weekly production for 1947-1949.

Car Loadings in Latest Period Climbed 20.7% Above Preceding Holiday Week

Loadings of revenue freight for the week ended Jan. 11, 1958, were 97,695 cars or 20.7% above the preceding Holiday week, the Association of American Railroads reports.

Loadings for the week ended Jan. 11, 1958, totaled 569,444 cars, a decrease of 111,322 cars, or 16.4% below the corresponding 1957 week and a decrease of 140,894 cars, or 19.8% below the corresponding week in 1956.

Automotive Output Last Week Cut 6.1% by Scattered Shutdowns Below Previous Week

Automotive production for the week ended Jan. 17, 1958, according to "Ward's Automotive Reports," declined 6.1% below that of the prior week and 22.8% under the like period a year ago as a result of scattered shutdowns.

Last week's car output totaled 110,546 units and compared with 120,140 (revised) in the previous week. The past week's production total of cars and trucks amounted to 129,622 units, or a decline of 8,446 units under that of the preceding week's output, states "Ward's."

Last week's car output declined below that of the previous week by 9,594 cars, while truck output increased by 1,148 vehicles during the week. In the corresponding week last year 145,761 cars and 22,151 trucks were assembled.

Last week the agency reported there were 19,076 trucks made in the United States. This compared with 17,928 in the previous week and 22,151 a year ago.

Canadian output last week was placed at 6,475 cars and 1,116 trucks. In the previous week Dominion plants built 6,837 cars and 1,120 trucks and for the comparable 1956 week 8,393 cars and 1,473 trucks.

Lumber Shipments Dropped 3.9% Under Output in Week Ended Jan. 11, 1958

Lumber shipments of 493 reporting mills in the week ended Jan. 11, 1958, were 3.9% below production, according to the National Lumber Trade Barometer. In the same period, new orders were 3.1% below production. Unfilled orders amounted to 27% of stocks. Production was 90.2% above; shipments 39.9% above and new orders were 35.0% above the previous week and 6.6% below the like week of 1956.

Business Failures in Latest Week Were Marked by Substantial Declines

Commercial and industrial failures declined to 260 in the week ended Jan. 16 from 324 in the preceding week, Dun & Bradstreet, Inc., reports. Casualties were less numerous than a year ago when 278 occurred and also slightly under the 269 in 1956. Continuing below the pre-war level, failures eased 29% from the 367 in the comparable week of 1939.

Liabilities of $5 000 or more were involved in 226 of the week's casualties as against 279 last week and 243 a year ago. Small failures with liabilities under $5,000, dipped to 34 from 45 in the previous week but came close to their total of 35 in the similar week of 1957. Twenty of the concerns failing during the week had liabilities in excess of $100,000 as compared with 35 in the preceding week.

Wholesale Food Price Index Advanced Slightly The Past Week

The wholesale food price index, compiled by Dun & Bradstreet, Inc., increased slightly to $6.45 on Jan. 14 from $6.41 a week ago, equalling the high for 1957 set on Dec. 10. The current figure is 0.6% higher than last week's level and 5.2% higher than the $6.13 on the comparable date a year ago.

Higher in wholesale cost the past week were beef, hams, butter, rye, cocoa, bellies, lard, cottonseed oil and potatoes. Declines took place in barley, flour, wheat, corn, oats, tea, eggs, raisins and prunes.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Trended Slightly Lower the Past Week

Following a slight rise at the beginning of the period, the general commodity price level finished somewhat lower the past week, with declines in grains, rubber and sugar. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., stood at 277.02 on Jan. 13, compared with 278.20 a week earlier and 300.11 on the similar date a year ago.

Grain prices declined following a Government report on the stocks of grain impounded under the support program. The report showed much smaller amounts than were anticipated, indicating that larger stocks were in commercial channels than were previously estimated. Favorable weather conditions in growing areas resulted in a noticeable drop in wheat prices. Purchases of corn, rye and soybeans lagged and prices fell appreciably. Wholesale prices on oats were slightly below those of the preceding week.

Although the buying of flour was sluggish, prices rose somewhat during the week. Flour receipts at New York terminals on Friday two weeks ago amounted to 5,440 sacks, with 4,640 for export and 800 for domestic use. Prices on rice were unchanged and transactions equalled those of a week earlier.

There was a slight dip in sugar prices and trading held close to that of the prior week. Cocoa buying improved and prices rose moderately. New York warehouse supplies of cocoa decreased slightly to 164,632 bags compared with 297,733 bags a year ago. United States arrivals of cocoa totaled 91,602 bags on Friday two weeks ago, compared with 110,360 bags on the comparable date last year.

The buying of steers picked up moderately during the week and prices rose slightly. While cattle receipts in Chicago were moderately higher than in the prior week, they were somewhat below those of the similar 1957 period. Transactions in hogs improved with prices sustained at the levels of the preceding week. Hog receipts fell somewhat from a week earlier. Although interest in lambs slackened, prices were steady. The number of sheep and lambs on feed for the slaughter market on Jan. 1 was 8% less than a year ago, the United States Department of Agriculture reports.

Reports that the Department of Agriculture plans to request increased cotton acreage and lower price supports resulted in a fractional dip in cotton prices. There was a slight improvement in trade. Deliveries of raw silk in December were estimated at 3,525 bales compared with 4,112 bales in December 1956, states the American Silk Council. The total for all of 1956 was 45,704 bales compared with 59,295 bales in 1956. Raw silk in transit on Dec. 31 amounted to 3,061 bales.

A moderate rise occurred in bookings in man-made fibers and industrial fabrics. The buying of woolens and worsteds rose moderately with prices close to those of the preceding week. Volume in carpet wool was sluggish in Boston and Philadelphia.

Retail Trade Volume the Past Week Rose Somewhat Above Level of Year Ago

Continued clearance sales promotions held retail trade at a high level the past week with volume somewhat above that of a year ago. The most noticeable year-to-year gains occurred in purchases of linens, men's apparel and furniture. Consumer buying of new passenger cars was close to that of a week earlier, while sales of used models slipped somewhat.

The total dollar volume of retail trade in the period ended on Wednesday of last week unchanged to 4% higher than a year ago, spot estimates collected by Dun & Bradstreet, Inc., show. Regional estimates varied from the comparable 1957 levels by the following percentages: South Atlantic States +2 to +6%; West North Central and West South Central +1 to +5; New England, Middle Atlantic and Mountain 0 to +4; East North Central —1 to +3; Pacific Coast —3 to +1 and East South Central States —5 to —1%.

Attracted by reduced-price sales promotions, consumers noticeably stepped up their buying of linens and towels last week. Appreciable year-to-year gains were prevalent. Furniture sales moderately exceeded those of a year ago with gains in dinette sets, upholstered chairs and bedroom suites. There was a slight rise over a year ago in the call for major appliances and television sets.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Jan. 11, 1958, increased 1% above the like period last year. In the preceding week, Jan. 4, 1958, an increase of 2% was reported. For the four weeks ended Jan. 11, 1958 an increase of 8% was reported. For the year 1957 an increase of 1% was registered above that of 1956.

Retail trade sales volume in New York City the past week increased 5% to 9% above that of the comparable period in 1957, estimates by trade observers show.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Jan. 11, 1958 increased 1% above that of the like period last year. In the preceding week, Jan. 4, 1958 an increase of 3% (revised) was reported. For the four weeks ended Jan. 11, 1958, an increase of 12% was registered. For the year 1957 the index registered an increase of 2% above that of the corresponding period of 1956.

Blatchford, Robertson With Wm. Blair Co.

CHICAGO Ill. — William Blair & Company, 135 South La Salle Street, members of the New York and Midwest Stock Exchanges, have announced that Thomas R. Blatchford and Clarke J. Robertson have become associated with the firm.

Mr. Blatchford for 10 years was with Harris Hall & Co. and its successor, Dean Witter & Company.

Mr. Robertson has been on La Salle Street and in the bond business for 30 years. He started with Minton Lambert & Co. and has been with its successor companies continuously, including Bache & Co. He is active in both municipals and corporates.

Baker, Stotler V-Ps. Of Rowles, Winston

HOUSTON, Tex. — R. H. Baker and Roger G. Stotler have been elected Vice-Presidents of Rowles, Winston & Co., Bank of the Southwest Building, members of the Midwest Stock Exchange. Both Mr. Baker and Mr. Stotler joined the Houston investment banking firm following their service in World War II.

J. A. Kennedy, Ltd. Opens in Toronto

TORONTO, Canada—J. A. Kennedy, Ltd. has been formed with offices at 200 Bay Street to deal in put and call stock options and contracts. Officers are: Jack A. Kennedy, President; J. R. Hilborn, Vice-President; and A. B. Whitelaw, Secretary.

Mr. Kennedy was formerly with J. L. Goad & Co. and Jenkin Evans & Co.

J. C. Rahel Co. Formed in Omaha

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb.—J. Cliff Rahel and Company, Inc. has been formed with offices in the First National Bank Building to engage in the securities business. Principals are J. Cliff Rahel and Cliff R. Rahel, Jr. J. Cliff Rahel was formerly vice chairman of the board of Wachob-Bender Corporation. Cliff R. Rahel was with the National Company of Omaha.

With Ill. Mid Cont.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Bernard F. Amato, Jr. and James P. McCarthy have become affiliated with Illinois Mid Continent Investment Co., 676 St. Clair Street.

Three With Wm. B. Milius

(Special to THE FINANCIAL CHRONICLE)

CLAYTON, Mo.—Ernest B. Cooksey, Carl Martin and Conrad A. Nicks are now with William B. Milius and Company, 101 South Meramec.

Central Inv. Branch

CLEVELAND, Ohio — Central States Investment Co. has opened a branch office in the Hanna Building under the direction of Donald J. Grail. Mr. Grail was formerly with Saunders, Stiver & Co.

Form Drucker & Hasday

Drucker and Hasday is engaging in a securities business from offices at 132 Nassau Street, New York City. Partners are Mortimer M. Drucker and Isaac Hasday.

Enterprise Inv. Corp.

HOUSTON, Tex. — Enterprise Investment Corporation has opened offices in the Southern States Life Building to engage in a securities business.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

Allen (Walter H.) Co., Inc.
Nov. 4 (letter of notification) $150,000 of 10-year 6% unsecured debentures, due Nov. 1, 1967, to be offered to stockholders. **Price**—At par (in units of $1,000). **Proceeds**—For construction of a new addition to present building. **Office**—6210 Denton Drive, Dallas, Texas. **Underwriter**—None.

● **Allstate Commercial Corp. (now Superior Commercial Corp.) New York (2/5)**
Sept. 16 filed 256,300 shares of class A common stock (par one cent), of which 233,000 shares are to be sold for account of the company and 23,300 shares for the account of Ben Degaetano, President of the underwriter. **Price**—$1.50 per share. **Proceeds**—For working capital to be used in realty financing activities. **Underwriter**—Midland Securities, Inc., New York.

American European Securities Co.
Jan. 15 filed 76,563 shares of common stock to be offered to holders of outstanding common on the basis of one new share for each 6 shares held of record to the effective date of registration statement. **Proceeds**—For investment purposes. **Price**—To be supplied by amendment. **Office**—Jersey City, N. J. **Underwriter**—None.

American Life & Casualty Insurance Co.
Dec. 3 filed 101,667 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of one new share for each two shares held; unsubscribed shares to be offered to public. **Price**—$10 per share. **Proceeds**—For capital and surplus accounts. **Office**—Fargo, N. D. **Underwriter**—None.

American Mutual Investment Co., Inc.
Dec. 17 filed 490,000 shares of capital stock. **Price**—$10.20 per share. **Proceeds**—For investment in first trust notes, second trust notes and construction loans. Company may develop shopping centers and build or purchase office buildings. **Office** — 900 Woodward Bldg., Washington, D. C. **Underwriter** — None. Sheldon Magazine, 1201 Highland Drive, Silver Spring, Md., is President.

American Provident Investors Corp.
Feb. 15 filed 50,000,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds** — For working capital and general corporate purposes. **Office**—Dallas, Tex. **Underwriter**—Peoples Securities Co., J. D. Grey, of New Orleans, John S. Tanner, of Dallas, and C. L. Edmonds, of Houston, three of the 22 directors, are Chairman, Vice-Chairman and President, respectively.

● **American Telephone & Telegraph Co. (2/7)**
Dec. 31 filed $718,313,000 of convertible debentures to be offered for subscription by stockholders of record Jan. 24, 1958 at rate of $100 principal amount of debentures for each nine shares held; rights to expire on March 12, 1958. Subscription warrants are expected to be mailed about Feb. 7. **Price** — 100% of principal amount. (Debentures will bear 4¼% interest; dated March 12, 1958; mature in 15 years, and will be convertible into common stock, beginning May 12, 1958, at a price of $142, representing $100 debenture and $42 cash.) **Proceeds**—For advances to subsidiary and associated companies; for purchase of stock offered for subscription by such companies; for extensions, additions and improvements to company's own plant and for general corporate purposes. **Underwriter**—None.

Anderson Electric Corp.
Dec. 23 (letter of notification) 14,700 shares of class B common stock (par $1). **Price**—$12 per share. **Proceeds**—To go to selling stockholders. **Office** — 700 N. 44th Street, Birmingham, Ala. **Underwriters**—Courts & Co., Birmingham, Ala.; Wayne Hummer & Co., Chicago, Ill.; and Merrill Lynch, Pierce, Fenner & Beane, Birmingham, Ala.

Anita Cobre U. S. A., Inc., Phoenix, Ariz.
Sept. 30 filed 85,000 shares of common stock. **Price**—At par ($3.75 per share). **Proceeds**—For investment in subsidiary and working capital. **Underwriter**—Selected Securities, Inc., Phoenix, Ariz.

● **Asta-King Petroleum, Inc. (1/23-24)**
Jan. 8 filed 222,200 shares of common stock (5 cents par value). **Proceeds**—For expenses incidental to development of oil and gas properties. **Office**—Room 1420 Superior Bldg., Cleveland 14, Ohio. **Price**—$1.35 per share. **Underwriter**—Ross Securities, Inc., New York City.

Atlas Sewing Centers, Inc., Miami, Fla. (1/27)
Jan. 6 filed $1,500,000 6½% convertible subordinated debentures, due 1973. **Price**—Par. **Proceeds**—To increase inventories, expansion, and reduce bank debt. **Underwriter**—Van Alstyne, Noel & Co., New York. In addition, company has agreed to sell to underwriter, for $2,500, stock purchase warrants entitling holders thereof to purchase up to 50,000 shares of common stock on or before Jan. 1, 1963, at a price to be supplied by amendment.

★ **Axe-Houghton Fund B, Inc.**
Jan. 15 filed (by amendment) 3,000,000 additional shares of capital stock ($1 par value). **Price**—At market. **Proceeds**—For investment.

Bamm Corp., New York
Nov. 29 (letter of notification) $300,000 of 6% 5-year convertible sinking fund debentures (subordinated) due Jan. 1, 1963 and 30,000 shares of common stock (par one cent) to be offered in units of $100 of debentures and 10 shares of stock. **Price**—$100 per unit. **Proceeds**—To retire bank loan and for working capital. **Business** — Manufactures and rents commercial coffee brewing machines. **Office**—515 Madison Ave., New York. **Underwriter**—Willis E. Burnside & Co., Inc., New York.

Bell Telephone Co. of Pennsylvania (1/28)
Jan. 2 filed $50,000,000 of debentures due Feb. 1, 1989. **Proceeds**—To retire equal amount of 5% first and refunding mortgage bonds which have been called for redemption on April 1, 1958. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; First Boston Corp.; White, Weld & Co. and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—To be received until 11 a.m. (EST) on Jan. 28, at Room 2315, 195 Broadway, New York City.

Blacksmith Shop Pastries Inc., Rockport, Mass.
Sept. 17 (letter of notification) $100,000 of 6½% debentures dated Sept. 16, 1957 and due Sept. 15, 1972 and 40,000 shares of capital stock (par $1) to be offered in units of one $50 debenture and 20 shares of capital stock. **Price**—$90 per unit. **Proceeds**—To retire mortgage notes and for working capital. **Underwriter**—Mann & Gould, Salem, Mass.

Bradco 1958 Associates, Inc.
Jan. 9 registered $2,000,000 of participating interests to be offered in minimum units of $10,000. **Proceeds**—Acquisition and development of undeveloped oil and gas properties. **Office** — Houston, Texas. **Underwriter**—Bradco and firms and individuals it selects. Program will be managed by Bradco Oil & Gas Co., capital stock of which is owned by International Investment Co., Patrick W. Brady is listed as president and director of each company.

Brantly Helicopter Corp., Philadelphia, Pa.
Nov. 25 (letter of notification) 21,818 shares of common stock (par 50 cents). **Price**—$13.75 per share. **Proceeds**—For equipment, supplies and working capital. **Offices**—24 Maplewood Ave., Philadelphia 44, Pa., and Frederick, Okla. **Underwriter**—None.

● **Brunswick-Balke-Collender Co.**
Dec. 20 filed 163,500 shares of common stock (no par) to be offered in exchange for outstanding common stock of MacGregor Sport Products, Inc. at rate of one share of BBC stock for each share of MacGregor stock. The offer is subject to acceptance by holders of at least 90% (147,150 shares) of outstanding MacGregor common (which condition may be waived by BBC if offer is accepted by at least 80% of outstanding MacGregor stock). Offer expires Feb. 4, 1958. **Underwriter**—None. Statement effective Jan. 13.

Cador Production Corp., Far Hills, N. J.
Dec. 16 filed 1,680,000 shares of common stock (par five cents), of which 1,600,000 shares are to be offered in exchange for oil properties located in Oklahoma, Texas, New Mexico, Louisiana, Kansas and elsewhere; the remaining 80,000 shares are to be issued as commissions. **Underwriter**—Cador, Inc., Far Hills, N. J.

Camoose Uranium Mines of America, Inc.
Jan. 9 filed 3,000,000 shares of common stock (1 cent par), all owned by Camoose Mines Ltd., which is in liquidation and has equivalent amount of stock outstanding (1 cent par). When registration statement becomes effective, Camoose Mines will issue as a liquidating dividend, on a share-for-share basis, the 3,000,000 Canadian Uranium Mines shares it owns. **Office**—New York City. **Underwriter**—None.

Canadian Prospect Ltd., Calgary, Canada
Sept. 27 filed 4,851,810 shares of common stock (par 16⅔ cents) to be offered in exchange for capital stock of Canadian Export Gas Ltd. on the basis of 2½ Canadian Prospect shares for each Canadian Export share, subject to acceptance by holders of at least 80% of Canadian Export shares outstanding. **Underwriter**—None. Statement effective Nov. 4.

● **Caribe Stores, Inc., Aguirre, Puerto Rico**
Dec. 2 (letter of notification) 247,560 shares of common stock (par 50 cents) being offered for subscription by common stockholders of record Jan. 10 on a 1-for-3 basis; rights to expire on Feb. 5. **Price**—52 cents per share. **Proceeds** — For general corporate purposes. **Name Change** — Formerly Tybor Stores, Inc. **Underwriter**—Lerner & Co., Boston, Mass.

Central Mortgage & Investment Corp.
Sept. 12 filed $5,000,000 of 20-year mortgage bonds and 500,000 shares of common stock (par five cents) to be offered in units of $100 of bonds and 10 shares of stock. **Price**—$100.50 per unit. **Proceeds**—For purchase of first mortgages or to make first mortgage loans and for construction business. **Office**—Miami Beach, Fla. **Underwriter**—Aetna Securities Corp., New York. **Offering**—Date indefinite.

Central Power & Light Co. (2/4)
Jan. 6 filed $12,000,000 first mortgage bonds, series H, due Feb. 1, 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; Kidder, Peabody & Co.; Lehman Brothers and Glore, Forgan & Co. (jointly); Blyth & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co.; Merrill Lynch, Pierce, Fenner & Beane and Salomon Bros. & Hutzler (jointly). **Bids**—Tentatively expected to be received up to 11:30 a.m. (EST) on Feb. 4.

Chess Uranium Corp.
May 14 (letter of notification) 600,000 shares of common stock (par $1—Canadian). **Price**—50 cents per share. (U. S. funds). **Proceeds**—For exploration costs, etc. **Office**—5616 Park Ave., Montreal, Canada. **Underwriter**—Jean R. Veditz Co., Inc., 160 Broadway, New York. **Offering**—Expected at any time.

Cleveland Electric Illuminating Co. (2/25)
Jan. 8 filed $30,000,000 first mortgage bonds due in 1993. **Proceeds**—Retire bank loans in amount of $9,500,000 and for construction program. Latter, for 1958, calls for $65,000,000 outlay, and over next five years total is approximately $280,000,000. **Underwriter**—To be determined by competitive bidding. Probable bidders—Halsey, Stuart & Co. Inc.; Blair & Co., Inc. and Baxter, Williams & Co. (jointly); Glore, Forgan & Co.; Blyth & Co., Inc.; The First Boston Corp.; White, Weld & Co.; Dillon Read & Co. Inc. **Bids**—Expected to be received up to noon (EST) on Feb. 25.

Commerce Oil Refining Corp.
Dec. 16 filed $25,000,000 of first mortgage bonds due Sept. 1, 1968, $20,000,00 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares of common stock to be offered in units as follows: $1,000 of bonds and 48 shares of stock and $100 of debentures and nine shares of stock. **Price**—To be supplied by amendment. **Proceeds** — To construct refinery. **Underwriter**—Lehman Brothers, New York. **Offering**—Indefinite.

Consolidated Cuban Petroleum Corp.
Dec. 30 filed 500,000 shares of common stock (par 20 cents) to be offered for subscription by common stockholders on the basis of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds** — For exploration activities and capital expenditures. **Office**—Havana, Cuba. **Underwriter**—H. Kook & Co., Inc., New York.

● **Consumer Finance Corp. of America (2/3-7)**
Dec. 27 filed $1,000,000 of capital notes due Feb. 1, 1973 (with detachable class A common stock purchase warrants). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans and for working capital. **Change in Name**—Formerly People's Finance Corp. **Office**—Denver, Colo. **Underwriters**—Paul C. Kimball & Co., Chicago, Ill. **Offering** — Expected first week in February.

Continental Mining & Oil Corp.
Dec. 9 (letter of notification) 250,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—1500 Massachusetts Avenue, N. W., Washington, D. C. **Underwriter**—E. L. Wolfe Associates, 1511 K St., N.W., Washington, D. C.

Cooperative Grange League Federation, Inc.
Sept. 27 filed $600,000 of 4% subordinated debentures due Jan. 1, 1966; 10,000 shares of 4% cumulative preferred stock par $100; and 150,000 shares of common stock (par $5). **Price**—At principal amount or par value. **Proceeds**—To finance inventory purchases, to make capital loan advances to retail subsidiaries; to reduce bank loans; and for working capital. **Office** — Ithaca, N. Y. **Underwriter**—None.

Cubacor Explorers, Ltd.
Oct. 28 (letter of notification) 600,000 shares of common stock (par $1-Canadian). **Price**—50 cents per share-U. S. funds. **Proceeds** — For exploration and drilling costs. **Office** — Suite 607, 320 Bay St., Toronto, Ont., Canada. **Underwriter**—Stratford Securities Co., Inc., 135 Broadway, New York.

● **Daybreak Uranium, Inc., Opportunity, Wash.**
May 7 filed 631,925 shares of common stock (par 10 cents). **Price** — At market (approximately 53 cents per share). **Proceeds**—To selling stockholders **Underwriter** Herrin Co., Seatle, Wash. Statement withdrawn Nov. 22.

DeLuxe Check Printers, Inc.
Aug. 28 (letter of notification) 25,000 shares of common stock (par $1) to be offered to employees and present stockholders. **Price**—$11.80 per share. **Proceeds**—To acquire new machinery and equipment. **Office** — 530 N. Wheeler St., St. Paul 4, Minn. **Underwriter**—None.

Disc, Inc., Washington, D. C.
Oct. 10 filed 400,000 shares of class A common stock (par $1). **Price**—$2.50 per share. **Proceeds**—For investment. **Business**—Purchase and development of real property, and acquisition of stock of business enterprises. **Underwriter**—None. Irving Lichtman is President and Board Chairman.

● **Dixon Chemical & Research, Inc.**
Dec. 24 filed 165,625 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds**—For expansion and general corporate purposes. **Office** — Clifton, N. J. **Underwriter**—P. W. Brooks & Co., Inc., New York. **Offering**—Indefinite.

Doctors' Motels, Inc., Kansas City, Kan.
Oct. 25 filed 500,000 shares of common stock, of which 426,497 shares are to be offered publicly, 39,568 shares are to be offered in exchange for $432,055 outstanding 6% debentures, 3,085 shares are to be issued as a stock dividend and 30,850 shares are presently outstanding. **Price**—At par ($15 per share). **Proceeds**—For construction and operation of motels and to repay bank loans. **Underwriter**—None.

★ **Downer Lumber Co., Inc., Livingston, Mont.**
Jan. 13 (letter of notification) $300,000 of 8% mortgage bonds ($37,500 due annually Dec. 31, 1960 to Dec. 31, 1967). **Price**—At par. **Proceeds** — For working capital. **Underwriter**—None.

Durox of Minnesota, Inc., Denver, Colo.
Sept. 23 filed 750,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For capital expenditures and working capital. **Business** — Building material. **Underwriter**—American Underwriters, Inc., Englewood, Colo. Statement effective Dec. 11.

Electro Precision Corp., Arkadelphia, Ark.
Oct. 30 (letter of notification) 60,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—For office and laboratory equipment; inventory, working capital, etc. **Underwriter**—Nunn-Groves Co., Little Rock, Ark.

★ Enamo-Bord Products Inc.
Jan. 13 (letter of notification) 200,000 shares of class A common stock and 32,000 shares of class B common stock. **Price**—At par (50 cents par value). **Proceeds**—To pay out standing liabilities; to purchase inventory and for working capital. **Office**—East 2626 Trent Ave., Spokane, Wash. **Underwriter**—None.

★ Equity Insurance Co. of America
Jan. 17 (letter of notification) 25,000 shares of common stock (par $2.50). **Price**—$10 per share. **Proceeds**—For working capital. **Office**—103 N. 40th St., Omaha, Neb. **Underwriter**—None.

Ex-Cell-O Corp., Detroit, Mich.
Nov. 25 filed 88,000 shares of common stock (par $3) to be offered in exchange for common stock of Bryant Chucking Grinder Co. of Springfield, Va., at rate of four-tenths of an Ex-Cell-O share for each full Bryant share. Offer will become effective upon acceptance by holders of not less than 209,000 shares (95%) of all common stock of Bryant outstanding. **Underwriter**—None.

Expanded Shale Products Inc.
Nov. 26 (letter of notification) 60,000 shares of common stock (par $1) and $180,000 of 6% redeemable debentures maturing Dec. 15, 1967. **Price**—Of stock, $2 per share; of debentures, at par. **Proceeds**—For exploring and developing mineral properties with objective of producing expanded shale. **Office**—728-29 Symes Bldg., Denver 2, Colo. **Underwriter**—Minor, Mee & Co., Albuquerque, N. M.

Famous Virginia Foods Corp.
Nov. 6 (letter of notification) 5,000 shares of common stock. **Price**—$6.67 per share. **Proceeds**—To selling stockholder. **Office**—922 Jefferson St., Lynchburg, Va. **Underwriter**—Whitney & Co., Inc., Washington, D. C.

First International Fire Insurance Co.
Aug. 26 (letter of notification) 100,000 shares of common stock (par $1). **Price** — $3 per share. **Proceeds** — For capital and surplus and for first year's deficit. **Office**—3395 S. Bannock St., Englewood, Colo. **Underwriter** — American Underwriters, Inc., Englewood, Colo.

First Leaseback Corp., Washington, D. C.
Nov. 27 filed 500,000 shares of class A common stock (par five cents). **Price** — $5 per share. **Proceeds** — To purchase properties. **Underwriter** — Whitmore, Bruce & Co., Washington, D. C.

Fluorspar Corp. of America
Dec. 26 filed 470,000 shares of common stock. **Price**—$3 per share. **Proceeds**—For exploration work and working capital. **Office**—Portland, Ore. **Underwriter**—To be named by amendment. Sol Goldberg is President.

Ford Home Leases, Inc.
Nov. 29 (letter of notification) $250,000 of 6% subordinated debentures due Jan. 1, 1968 and 12,500 shares of class A common stock (par $1) to be offered in units of a $100 debenture and five shares of stock. **Price**—$100 per unit. **Proceeds**—To repay $90,000 of notes and for general corporate purposes. **Business**—Financing of homes. **Office** — McDonough, N. Y. **Underwriter** — Philipson & Co., Utica, N. Y.

● Forest Laboratories, Inc.
Aug. 28 filed 200,000 shares of capital stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—For sales promotion of company's products, working capital, additional inventory and accounts receivable, for research and development and for other general corporate purposes. **Office**—Brooklyn, N. Y. **Underwriters**—Alfred L. Powell Co., New York; and H. Carroll & Co., Denver, Colo. **Offering**—Expected Feb. 23.

★ Franklin Discount Co., Toccoa, Ga.
Jan. 13 (letter of notification) $100,000 of 8% subordinated debentures due July 1, 1963. **Price**—At par. **Proceeds**—To purchase conditional sale contracts and for making loans. **Underwriter**—None.

Freeman Electric Construction Co., Inc.
Nov. 27 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To reduce accounts payable, etc., and for working capital and general corporate purposes. **Office** — New York. **Underwriter**—Harris Securities Corp., New York City. **Offering**—Late in January.

General Aniline & Film Corp., New York
Jan. 14 filed 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1). **Proceeds**—To the Attorney General of the United States. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., and The First Boston Corp. (jointly); Kuhn, Loeb & Co., Lehman Brothers and Glore, Forgan & Co. (jointly). **Bids**—Had been scheduled to be received up to 3:45 p.m. (EDT) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25, D. C., but bidding has been postponed.

General Automatics Corp., Atlanta, Ga.
May 23 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To establish production facilities for manufacture and assembly of controls; and for other corporate purposes. **Address**—c/o Positronic Corp., 2572 Ridgemore Road, N. W., Atlanta, Ga. **Underwriters**—Armstrong & Co., Atlanta, Ga.

General Credit, Inc., Washington, D. C.
Aug. 17, 1956 filed $2,000,000 of 6% subordinated sinking fund debentures, due Sept. 1, 1971, with detachable warrants to purchase 160,000 shares of participating preference stock, to be offered in units of $500 of debentures and 40 warrants. **Price**—$500 per unit. **Proceeds**—For expansion and working capital. **Underwriter**—None named. Offering to be made through selected dealers. Application is still pending with SEC.

General Parking, Inc.
June 18 (letter of notification) 240,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—To retire outstanding debt; for expansion of subsidiary corporation and for working capital. **Office**—c/o Edwin F. Clements, 5312 Glenwood Ave., Youngstown, Ohio. **Underwriter**—L. L. LaFortune & Co., Las Vegas, Nev.

Genie Craft Corp.
Aug. 8 (letter of notification) $100,000 of 10-year 6% convertible debentures and 120,000 shares of common stock (par 10 cents) to be offered in units of one $50 debenture and 20 shares of common stock. **Price**—$100 per unit. **Proceeds**—To discharge short term obligations; purchase merchandise inventory; and for working capital. **Office** — 1022 18st St., N. W., Washington, D. C. **Underwriter**—Whitney & Co., Inc., Washington, D. C.

● Gold Seal Dairy Products Corp.
Oct. 25 filed 175,000 shares of class A stock (par 10 cents) of which 15,000 shares are to be reserved for prior offer to employees. **Price** — To be supplied by amendment. **Proceeds**—To acquire outstanding stock of Kulka Electric Manufacturing Co., Inc. **Office**—Elizabeth, N. J. **Underwriter**—Amos Treat & Co., Inc., New York. **Offering**—Statement withdrawn. Bank loan arranged to consummate acquisition. New filing probable.

Great Divide Oil Corp.
Oct. 11 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To pay balance on oil and gas properties, and unsecured notes and for drilling and working capital. **Office**—207 Newhouse Bldg., Salt Lake City, Utah. **Underwriter**—Birkenmayer & Co., Denver, Colo.

Great Northern Life Insurance Co.
Oct. 7 (letter of notification) 44,400 shares of common stock (par $1). **Price**—$6.75 per share. **Proceeds**—For capital stock and unassigned surplus. **Office** — 119 W. Rudisill Blvd., Fort Wayne, Ind. **Underwriter**—Northwestern Investment Inc., Fort Wayne, Ind.

Guardian Insurance Corp., Baltimore, Md.
Aug. 16 filed 300,000 shares of common stock, of which 200,000 shares are to be publicly offered and the remaining 100,000 shares reserved for issuance upon exercise of warrants which are to be sold at 25 cents per warrant to organizers, incorporators, management, and/or directors. **Price**—$10 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—None.

★ Gulf States Utilities Co. (2/18)
Jan. 15 filed 75,000 shares of cumulative preferred stock (par $100). **Proceeds**—To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Lehman Brothers and Equitable Securities Corp. (jointly); Kuhn, Loeb & Co.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly). **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on Feb. 18.

Hercules Aircraft Co., Inc.
Jan. 2 (letter of notification) 3,000 shares of capital stock. **Price**—At par ($10 par value). **Proceeds**—For working capital. **Office**—1320 East 79th St., South Wichita, Kan. **Underwriter**—None.

Hofmann Industries, Inc., Sinking Spring, Pa.
Dec. 20 filed 227,500 shares of common stock (par 25 cents) to be offered in exchange for outstanding common shares of Van Dorn Iron Works Co. Underwriter—None.

Home Owners Life Insurance Co.
Nov. 1 filed 50,000 shares of class A common stock to be offered to the public at $5 per share and 116,366 shares of class B common stock to be offered to stockholders at $6 per share at the rate of two new shares for each five shares held. **Proceeds**—For working capital. **Office**—Fort Lauderdale, Fla. **Underwriter**—None.

Horlac Mines, Ltd.
Nov. 20 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To repay loan, to purchase equipment and machinery

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NEW ISSUE CALENDAR

January 23 (Thursday)
Great Northern Ry.______Equip. Trust Ctfs.
(Bids until noon EST) $5,700,000
J-V-M Microwave Co.______Common
(Aetna Securities Corp.) $286,000
Minneapolis Gas Co.______Common
(Offering to stockholders—underwritten by Kalman & Co., Inc.) 166,070 shares

January 27 (Monday)
Atlas Sewing Centers, Inc______Debentures
(Van Alstyne, Noel & Co.) $1,500,000

January 28 (Tuesday)
Bell Telephone Co. of Pennsylvania______Debentures
(Bids 11 a.m. EST) $50,000,000
Northern Natural Gas Co______Common
(Offering to stockholders—underwritten by Blyth & Co., Inc.) 456,813 shares
Quebec Hydro-Electric Commission______Bonds
(First Boston Corp. and A. E. Ames & Co.) $50,000,000

January 29 (Wednesday)
Denver & Rio Grande RR.______Equip. Trust Ctfs.
(Bids to be invited) $2,460,000

January 30 (Thursday)
Chicago & Northwestern Ry.______Equip. Tr. Ctfs.
(Bids noon CST) $2,145,000

February 4 (Tuesday)
Central Power & Light Co.______Bonds
(Bids 11:30 a.m. EST) $12,000,000
Texas Utilities Co.______Common
(Bids 11 a.m. EST) 340,000 shares

February 5 (Wednesday)
Superior Commercial Corp.______Common
(Midland Securities, Inc.) 256,300 shares

February 7 (Friday)
American Telephone & Telegraph Co.______Debentures
(Offering to stockholders—no underwriting) about $720,000,000

February 11 (Tuesday)
Tennessee Gas Transmission Co.______Common
(Stone & Webster Securities Corp and White, Weld & Co., jointly) 1,000,000 shares

February 12 (Wednesday)
Red Owl Stores, Inc.______Debentures
(Lehman Bros., J. M. Dain & Co. and Piper, Jaffray & Hopwood) $3,500,000

February 13 (Thursday)
Indiana & Michigan Electric Co.______Bonds
(Bids noon EST) $25,000,000

February 14 (Friday)
Shell Transport & Trading Co., Ltd.______Common
(Offering to holders of New York shares—no underwriting) $12,600,000

February 18 (Tuesday)
Gulf States Utilities Co.______Preferred
(Bids 11 a.m.) $7,500,000
Montreal Transportation Commission, Que.______Debentures
(Shields & Co., Halsey, Stuart & Co., White, Weld & Co., and Savard & Hart) $13,500,000

February 19 (Wednesday)
Norfolk & Western Ry.______Equip. Trust Ctfs.
(Bids noon EST) $4,140,000
Northern Illinois Gas Co______Preferred
(First Boston Corp. and Glore, Forgan Co., jointly) $10,000,000

February 20 (Thursday)
Gulf Power Co.______Bonds
(Bids 11 a.m. EST) $8,000,000

February 24 (Monday)
Forest Laboratories, Inc.______Common
(Alfred L. Powell & Co. and H. Carroll & Co.) $600,000
Pennsylvania Electric Co.______Bonds
(Bids 11 a.m. EST) $29,000,000
Reichhold Chemicals, Inc.______Common
(Blyth & Co., Inc.) 200,000 shares

February 25 (Tuesday)
Central Illinois Public Service Co.______Bonds
(Bids to be invited) $15,000,000
Cleveland Electric Illuminating Co.______Bonds
(Bids noon EST) $30,000,000

February 26 (Wednesday)
Southern New England Telephone Co.______Debens.
(Bids to be invited) $30,000,000

February 27 (Thursday)
California Electric Power Co.______Bonds
(Bids to be invited) $12,000,000
Virginia & Southwestern RR.______Bonds
(Bids to be invited) $5,000,000

March 3 (Monday)
Iowa Public Service Co.______Bonds
(Bids to be invited) $10,000,000

March 4 (Tuesday)
Ohio Edison Co.______Bonds
(Bids to be invited) $30,000,000 to $35,000,000

March 5 (Wednesday)
Iowa Illinois Gas & Electric Co.______Debentures
(Bids to be invited) $9,000,000
Union Electric Co.______Bonds
(Sealed bids to be invited) $35,000,000

March 6 (Thursday)
Columbia Gas System______Debentures
(Bids expected March 6) $25,000,000

March 10 (Monday)
Merrimack-Essex Electric Co.______Bonds
(Bids noon EST) $20,000,000

March 11 (Tuesday)
Indianapolis Power & Light Co.______Bonds
(Bids to be invited) $10,000,000

March 20 (Thursday)
Georgia Power Co.______Bonds
(Bids 11 a.m. EST) $21,500,000

June 3 (Tuesday)
Appalachian Electric Power Co.______Bonds
(Bids to be invited) $25,000,000

June 10 (Tuesday)
Virginia Electric & Power Co.______Bonds or Debs.
(Bids to be invited) $25,000,000

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and for working capital. **Office**—1551-A Eglinton Ave. West, Toronto 10, Ont., Canada. **Underwriter**—D'Amico & Co., Inc., Buffalo, N. Y.

Indiana & Michigan Electric Co. (2/13)
Dec. 20 filed $25,000,000 of first mortgage bonds due 1988. **Proceeds** — For reduction of bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Harriman Ripley & Co. Inc.; The First Boston Corp.; Eastman Dillon, Union Securities & Co. **Bids**—To be received up to noon (EST) on Feb. 13 at 30 Church St., New York 8, N. Y.

International Staple & Machine Co.
Oct. 14 (letter of notification) 20,000 shares of 6% cumulative preferred stock of which 10,000 shares are to be offered to the public and the remainder to stockholders of record Oct. 10, 1957 in exchange for seven shares of common for each share of preferred. Both subscription and tenders for exchange must be received on or before Nov. 30, 1957. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office**—497 Union Trust Building, Pittsburgh 19, Pa. **Underwriter**—None.

Janaf, Inc., Washington, D. C.
July 30 filed $10,000,000 of 5½-8% sinking fund debentures due Aug. 1, 1972 and 100,000 shares of common stock (par 20 cents) to be offered in units of a $1,000 debenture and 10 shares of stock, or a $100 debenture and one share of stock. **Price**—Par for debenture, plus $2 per share for each 10 shares of Stock. **Proceeds**—For construction of a shopping center and other capital improvements; for retirement of present preferred shares; and for working capital, etc. **Underwriter**—None.

● J-V-M Microwave Co., Lyons, Ill. (1/23)
Dec. 20 (letter of notification) 96,000 shares of common stock (par 25 cents). **Price**—$3 per share. **Proceeds**—To repay bank loans and for general corporate purposes. **Office**—4633 Lawndale Ave., Lyons, Ill. **Underwriter**—Aetna Securities Corp., New York.

Koeller Air Products, Inc.
Nov. 25 (letter of notification) 150,000 shares of common stock (par five cents). **Price**—$2 per share. **Proceeds**—For capital expenditures, equipment, repayment of loans and working capital. **Business**—Welding and cutting equipment. **Office** — 253 Boulevard, Hasbrouck Heights, N. J. **Underwriter**—Pierre Rossini Co., Westwood, N. J.

Lorain Telephone Co., Lorain, Ohio
Dec. 13 (letter of notification) 1,785 shares of common stock (no par) to be offered for subscription by common stockholders at the rate of one new share for each 60.4364 shares held. **Price**—$28 per share. **Proceeds**—For additions and improvements. **Office**—203 West 9th St., Lorain, Ohio. **Underwriter**—None.

Mascot Mines, Inc., Kellogg, Idaho
June 3 (letter of notification) 800,000 shares of common stock. **Price**—At par (17½ cents per share). **Proceeds**—For mining expenses. **Office**—Sidney Bldg., Kellogg, Idaho. Malcolm C. Brown is President. **Underwriter**—Standard Securities Corp., Spokane, Wash., and Kellogg, Idaho.

★ (The) Matheson Co., Inc. (3/1)
Jan. 17 (letter of notification) $299,000 of 6% sinking fund debentures due 1978. **Price**—Of debentures, issued in denominations $1,000 and $500. **Proceeds**—Refunding of outstanding Bonds, Debentures and increase working capital. **Office**—932 Paterson Plank Rd., East Rutherford, N. J. **Underwriters**—Mohawk Valley Investing Co. Inc., Utica, N. Y.; Security & Bond Co., Lexington, Ky.

Mineral Basin Mining Corp.
Dec. 30 (letter of notification) 200,000 shares of common stock. **Price** — At par ($1 par value). **Proceeds** — For mining expenses. **Office** — 1710 Hoge Bldg., Seattle 4, Wash. **Underwriter**—None.

● Minneapolis Gas Co. (1/23)
Jan. 2 filed 166,070 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of one new share for each 10 shares held as of Jan. 23, 1958; rights to expire on Feb. 5, 1958. **Price**—$22.25 per share. **Proceeds**—For property additions. **Underwriter**—Kalman & Co., Inc., Minneapolis, Minn.

★ Minnesota Fund, Inc.
Jan. 15 filed (by amendment) 500,000 additional shares of common stock (1 cent par value). **Price**—At market. **Proceeds**—For investment.

Monticello Associates, Inc.
Feb. 18 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds** — For capital expenditures, including construction of motel, roadside restaurant and gas station. **Business**—Has been processing and selling of gravel. **Office**—203 Broadway, Monticello, N. Y. **Underwriter**—Walnut Securities Corp., Philadelphia, Pa.

Mortgage Clubs of America, Inc.
Aug. 19 filed $1,000,000 of participation units in second mortgages of real estate to be offered for public sale in units of $100, plus a sales commission of $10 per unit to the company. **Proceeds**—To be invested in small loans secured by second mortgage on home properties. **Office**—Springfield, Mass. **Underwriter**—None. Charles Hershman is President.

Motel Co. of Roanoke, Inc., Roanoke, Va.
Nov. 18 (letter of notification) 60,000 shares of common stock (par 40 cents). **Price**—$5 per share. **Proceeds**—For purchase of land, construction and working capital. **Underwriter**—Southeastern Securities Corp., New York.

Motel Corp. of Italy
Jan. 14 filed 20,000 shares of class A common stock and 10,000 shares of 7% cumulative convertible preferred, to be sold publicly at a unit price of $101, representing one share of preferred and two shares of common. **Proceeds**—To be invested in the stock of Motels Americano, an Italian organization. **Office**—Silver Springs, Maryland. **Underwriter**—None.

Multnomah Kennel Club, Fairview, Ore.
Dec. 26 filed $250,000 of 10% unsecured debentures and 400,000 shares of class A non-voting common stock (par $1) to be offered in units of $250 of debentures and 400 class A shares. **Price** — $910 per unit. **Proceeds** — To repay bank loans and short-term unsecured notes. **Underwriter** — Stone, Moore & Co., Inc.; Denver, Colo. **Offering**—Expected early in February.

Municipal Investment Trust Fund, Inc. (N. Y.)
May 9 filed 5,000 units of undivided interests in Municipal Investment Trust Fund, Series A. **Price**—At market. **Proceeds**—For investment. **Sponsor**—Ira Haupt & Co., New York.

Nassau Fund, Princeton, N. J.
May 8 filed 250,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Office**—10 Nassau St., Princeton, N. J. **Investment Advisor** — Harland W Hoisington, Inc., same address.

National Biochemicals, Inc.
Sept. 10 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For cost of plant and inventory and for general corporate purposes. **Office**—Room 202 Houston Title Bldg., Houston, Tex. **Underwriter**—Scott Taylor & Co., Inc., New York, N. Y.

National Bowlero, Inc., Cleveland, O.
Dec. 4 filed $900,000 of 5% 10-year debenture bonds, 9,000 shares of 4% non-cumulative preferred stock (par $100) and 15,000 shares of common stock (par $10) to be offered in units of $9,000 of bonds, 90 shares of preferred stock and 150 shares of common stock. **Price**—$19,500 per unit. **Proceeds**—For erection and operation of two bowling sports centers. **Underwriter**—None. William N. Skirball is President.

Natural Gas Pipeline Co. of America
Nov. 19 filed $40,000,000 of first mortgage pipeline bonds due 1977. **Price**—To be supplied by amendment. **Proceeds** — To reduce bank loans. **Underwriters** — Dillon, Read & Co. Inc. and Halsey, Stuart & Co. Inc., both of New York. **Offering**—Temporarily postponed.

Nichols, Inc., Exeter, N. H.
Nov. 14 filed 25,000 shares of common stock (no par). **Price**—$27 per share. **Proceeds**—To repay short term bank loans and for working capital. **Business** — Sells hatching eggs and day-old chicks. **Underwriter**—None. George E. Coleman, Jr., is President.

North American Contracting Corp.
Dec. 27 (letter of notification) 169,500 shares of common stock (par 10 cents). **Price**—$1.75 per share. **Proceeds**—For working capital and expansion. **Office**—1526 Connecticut Ave., N. W. Washington 6, D. C. **Underwriters**—The Matthew Corp., Washington, D. C. and Ross Securities, Inc., New York, N. Y.

North American Finance Co., Phoenix, Ariz.
Nov. 27 filed 300,000 shares of class B common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital and other corporate purposes. **Underwriter**—None. Sales to be made through Eugene M. Rosenson, President, and Marcus T. Baumann, Vice-President and Treasurer.

★ North Western Mining & Exploration Corp.
Jan. 13 (letter of notification) 2,000,000 shares of common stock (par one cent) and 1,000,000 shares of preferred stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—12882 3rd Ave. South, Seattle, Wash. **Underwriter**—None.

● Northern Natural Gas Co. (1/28)
Jan. 10 filed 456,813 shares of common stock ($10 par value) to be offered for subscription by stockholders of record Jan. 28, on the basis of one new share for each eight shares then held; rights to expire Feb. 11. **Proceeds**—Completion of payment of 1957 construction expenditures, including repayment of remaining bank loans incurred for that purpose, also acquisition of distribution properties and purchase of securities issued by subsidiaries for their construction costs. Of the $105,000,000 construction outlays planned by company and subsidiaries in 1957, approximately $39,000,000 were not made and have been re-scheduled for 1958. **Price** — To be supplied by amendment. **Underwriter** — Blyth & Co., Inc., San Francisco and New York.

● Nuclear Science & Engineering Corp.
Sept. 20 filed 100,000 shares of common stock (par 25 cents). **Price**—To be supplied by amendment. **Proceeds**—To prepay indebtedness to Norden-Ketay Corp., to purchase additional equipment and for working capital. **Underwriter**—Hayden, Stone & Co., New York. **Offering**—Temporarily postponed because of market conditions.

Oil Empire Co.
Dec. 26 (letter of notification) 300,000 shares of capital stock. **Price**—At par ($1 par value). **Proceeds**—Development of oil property. **Office**—130 South 4th St., Las Vegas, Nev.; P. O. Box 3982, No. Las Vegas, Nev. **Underwriter**—None.

Oil & Mineral Operations, Inc.
Nov. 4 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$2.50 per share. **Proceeds**—For development of oil and mineral properties. **Office**—208 Wright Bldg., Tulsa, Okla. **Underwriter**—Universal Securities Co., 201 Enterprise Bldg., Tulsa 3, Okla.

Old American Life Co., Seattle, Wash.
Dec. 9 filed voting trust certificates for not to exceed 8,000 shares of common stock (par $10). J. Alvin Hibbard, President of the company, is one of the 10 voting trustees.

Pacific Petroleums, Ltd.
Oct. 11 filed 1,603,998 shares of common stock (par $1), of which 1,588,998 shares are to be offered in exchange for outstanding Merrill Petroleums, Ltd. common stock at the rate of one Pacific share for each two Merrill shares; the remaining 15,000 shares are to be issuable upon exercise of presently outstanding options granted by Merrill, which options will be assumed by Pacific. **Office**—Calgary, Alberta, Canada. **Underwriter**—None. Statement effective Nov. 13.

Pan American Tool Co., Houston, Texas
Oct. 28 filed 165,000 shares of common stock (par $1), to be offered in blocks of not less than 3,000 shares. **Price**—To be supplied by amendment. **Proceeds** — To discharge trade accounts payable, to buy tools and equipment and for working capital. **Underwriter**—None.

Pennsylvania Electric Co. (2/24)
Jan. 16 filed $29,000,000 first mortgage bonds, due March 1, 1988. **Proceeds**—To be used, along with proceeds of previously-authorized sale of 500,000 shares of common stock to parent company, for repayment of short-term notes issued to finance 1957 construction program and to pay part of $41,500,000 construction outlay scheduled for 1958. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Harriman Ripley & Co. Inc. (jointly); Equitable Securities Corp.; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane, Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly). **Bids**—Tentatively scheduled to be received up to 11 a.m, (EST) on Feb. 24.

Peoples Security Investment Co.
Oct. 28 filed 1,000,000 preorganization subscriptions to class A voting common stock and 250,000 preorganization subscriptions to class B non-voting common stock to be offered in units of four class A shares and one class B share, the purchaser agreeing to donate each class B share to the Peoples Security Foundation for Christian Education, to be incorporated as a non-profit corporation. **Price**—$2 per share. **Proceeds** — For capital and surplus to finance a proposed insurance company to be named Peoples Security & Endowment Co. of America. **Office** — Montgomery, Ala. **Underwriter** — None. T. J. Patterson is President.

Peoples State Loan Co. of Delaware
Dec. 26 (letter of notification) $100,000 of 6% subordinated debentures due July 1, 1963 and $200,000 of 6% subordinated debentures due July 1, 1964. **Price**—Both at par. **Proceeds**—To retire outstanding notes and for working capital. **Office**—13534 Woodward Ave., Highland Park, Mich. **Underwriter**—None.

Pittsburgh Brewing Co., Pittsburgh, Pa.
Nov. 15 filed $5,646,750 of 5% sinking fund income subordinated debentures due Oct. 31, 1992; 112,935 shares of common stock (par $1); and 451,740 warrants to purchase 451,740 additional shares of common stock being offered in units of $50 of debentures, one common share, warrants to purchase four common shares plus $1 in cash. These units are to be issued in exchange for each outstanding share of preferred stock (par $25) plus accrued dividends. The offer will expire on Jan. 31, 1958. **Purpose**—To eliminate or reduce preferred dividend arrearages. **Underwriter**—None. Statement effective Dec. 13.

Pittsburgh-Des Moines Steel Co.
Nov. 29 (letter of notification) 5,750 shares of common stock (no par), of which 1,920 shares are to be offered for account of selling stockholder, and 3,830 shares for company. **Price**—$52 per share. **Proceeds**—To purchase steel inventory items. **Office**—Neville Island, Pittsburgh 25, Pa. **Underwriter**—None.

Pleasant Valley Oil & Mining Corp.
Sept. 30 (letter of notification) 2,000,000 shares of common stock. **Price**—At par (five cents per share). **Proceeds** — For geological studies, reserve for contingent liability, for machinery and equipment and other reserves. **Office** — 616 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Steven Randall & Co., Inc., New York.

Polytronic Research, Inc.
Nov. 4 (letter of notification) 80,000 shares of common stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—For equipment and research, development program and working capital. **Office**—4130 Howard Ave., Kensington, Md. **Underwriters**—First Washington Corp. and The Stanford Corp., both of Washington, D. C. **Change of Name**—Formerly Acme Tool & Engineering Corp.

Ponce Hotel Corp., San Juan, P. R.
Dec. 12 filed 1,590 shares of 6% cumulative preferred stock, series A (par $100), 12,410 shares of 6% cumulative preferred stock, series AA (par $100) and 364,000 shares of common stock (par $1) to be offered in units of one preferred share and 26 common shares. **Price** — $126 per unit. **Proceeds** — Together with proceeds of debt financing, will be used to purchase hotel site, construction, furnishing and equipment of the hotel. **Underwriter** — Compania Financiera de Inversiones, Inc., San Juan, P. R.

Professional Life & Casualty Co., Champaign, Ill.
Dec. 16 filed 120,000 shares of common stock. **Price**—$15 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

Public Savings Life Insurance Co.
Nov. 29 filed 113,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—To Public Savings Insurance Co., the selling stockholder. **Office**—Charleston, S. C. **Underwriter**—None.

Pyramid Mining & Metal Corp.
Oct. 24 (letter of notification) 236,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—For mining expenses. **Office** — 508 Great Plains Life Bldg., Lubbock, Tex. **Underwriter**—Sterling Securities Co., Inc., Odessa, Tex.

Quebec Hydro-Electric Commission (1/28)
Jan. 10 filed $50,000,000 series T debentures, due Feb. 1, 1983. **Proceeds**—Payment of bank loans and for construction program. **Underwriter**—First Boston Corp. and A. E. Ames & Co., Inc., jointly.

Ramapo Uranium Corp. (New York)
Aug. 13 filed 125,000 shares of common stock (par one cent). **Price**—$5 per share. **Proceeds**—For exploration and development of properties and completion of a uranium concentrating pilor mill. **Office**—295 Madison Ave., New York 17, N. Y. **Underwriter**—None.

★ **Red Owl Stores, Inc. (2/12)**
Jan. 20 filed $3,500,000 of convertible subordinated debentures due 1978. **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Underwriters**—Lehman Brothers; J. M. Dain & Co., Inc.; and Piper, Jaffray & Hopwood.

Reichhold Chemicals, Inc. (2/24)
Oct. 10 filed 200,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For expansion program and working capital. **Underwriter**—Blyth & Co., Inc., New York.

Research Instrument Corp.
Oct. 7 (letter of notification) $125,000 of 10-year 10% convertible debentures and 12,500 shares of common stock (no par) to be offered in units of one $100 debenture and ten shares of common stock. **Price**—$200 per unit. **Proceeds**—For equipment, working capital and inventory. **Office**—7962 S. E. Powell Blvd., Portland, Ore. **Underwriter**—Campbell & Robbins, Inc., Portland, Ore.

Resolute Bay Trading Co., Ltd.
Oct. 29 (letter of notification) 30,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—For working capital, etc. **Business**—Purchase and sale of commodities. **Office**—St. John, N. B., Canada. **Underwriter**—Irving Weis & Co., New York.

Resolite Corp., Zelienople, Pa.
Dec. 6 filed 20,000 shares of common stock to be offered for subscription by stockholders of record Dec. 1, 1957 in the ratio of 3½ new shares for each 10 shares held; unsubscribed shares to be offered to public. **Price**—$10 per share. **Proceeds**—To pay $100,000 outstanding obligations and for improvement and rehabilitation of plant and facilities. **Business**—Fiberglass panels. **Underwriter**—None.

Rocky Mountain Quarter Racing Association
Oct. 31 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To repay outstnding indebtedness. **Office** — Littleton, Colo. **Underwriter**—R. B. Ford Co., Windover Road, Memphis, Tenn.

Rose Records, Inc.
July 22 (letter of notification) 11,022 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office**—705 South Husband St., Stillwater, Okla. **Underwriter**—Richard B. Burns Securities Agency, Stillwater, Okla.

• **Royal Dutch Petroleum Co.**
Dec. 20 filed 7,602,285 shares of capital stock being offered for subscription by stockholders of record Jan. 17, 1958 on the basis of one new share for each eight shares held; rights to expire on Feb. 10. **Price** — $30 or 114 guilders per share. **Proceeds**—To be made availale to the Royal-Shell Group of companies for their capital and exploration expenditure programs. **Underwriter**—Morgan Stanley & Co., New York, heads list of American underwriters.

Rule (C. F.) Construction Co.
Sept. 13 filed 127,289 shares of common stock (par $10). **Price**—$13 per share. **Proceeds**—To retire outstanding loans and for working capital and investment in additional equipment. **Office**—Nashville, Tenn. **Underwriter**—None. Statement effective Nov. 20.

St. Louis Insurance Corp., St. Louis, Mo.
March 27 filed 1,250 shares of class C cumulative preferred stock (par $57). **Price**—$97 per share. **Proceeds**—To R. M. Realty Co., who is the selling stockholder. **Underwriter** — Yates, Heitner & Woods, St. Louis, Mo. **Offering**—Indefinitely postponed.

Schering Corp., Bloomfield, N. J.
Sept. 19 filed 278,983 shares of 5% cumulative convertible preferred stock (par $30) and 418,475 shares of common stock (par $1) to be issued in exchange for stock of White Laboratories, Inc. (which is to be merged with Schering Corp. effective Sept. 19, 1957) on the basis of one share of preferred stock and 1½ shares of common stock for each White class A or class B common share held. **Underwriter**—None.

Scientific Industries, Inc.
Dec. 27 (letter of notification) $120,000 6% convertible sinking fund debentures, due Feb. 1, 1968, convertible, except as provided in case of redemption, into common stock (5 cent par value) at a price of $1 per share. **Price**—At par. **Proceeds** — For expansion of plant in the manufacture of laboratory and scientific instruments and to build up company's new electronics division. **Office** — 15 Park St., Springfield, Mass. **Underwriter** — Willis E. Burnside & Co., Inc., New York City.

Sentinel Security Life Insurance Co.
Nov. 27 filed 5,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Office**—Salt Lake City, Utah. **Underwriter**—None.

• **"Shell" Transport & Trading Co., Ltd. (2/14)**
Dec. 20 filed a maximum of $12,600,000 of New York Shares (representing a like amount of ordinary shares) being offered for subscription by holders of ordinary shares, including stock represented by New York shares of record Jan. 17, 1958, on a 1-for-10 share basis; rights to expire March 3. This represents 10% of the total offering by the company, which 10% is to be offered for subscription by American residents. **Price**—5 pounds, ten shillings; $15.40 at current official exchange rate. **Proceeds** — For exploration programs. **Underwriter** — None in the United States.

Sheraton Properties, Inc., Boston, Mass.
Dec. 30 filed $990,000 of first mortgage sinking fund bonds due Dec. 1, 1973. **Price**—At par. **Proceeds**—To repay indebtedness. **Underwriter** — Sheraton Securities Corp., a subsidiary.

Shopping Centers Corp., Pittsburgh, Pa.
Dec. 17 filed 50,000 shares of common stock (par $2.50) and $2,500,000 of debenture bonds to be offered in units of one share of stock and one $50 bond. **Price**—$52.65 per unit. **Proceeds** — For construction, ownership and management of shopping centers, luxury hotels and other commercial property. **Underwriter** — None. Offering to be made through Akiba Zilberberg, 5857 Phillips Ave., Pittsburgh 19, Pa., the company's President.

★ **Silver Spring Aquatic Club Inc.**
Jan. 17 (letter of notification) 300 shares of non-voting membership stock (no par) of which a single membership share is sold only in combination with a single share of class A common stock and 750 shares of class A common stock. **Price**—Membership stock, $150 per share; class A stock, at par ($100 par value). **Proceeds**—For expenses in operating the club and working capital. **Office**—Apple Ave., near 2nd Ave., Silver Spring, Md. **Underwriter**—None.

Simplicity Pattern Co. Inc.
Oct. 10 filed 155,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To two selling stockholders. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York. **Offering** — Indefinitely postponed.

★ **Southcoast Inc.**
Jan. 15 (letter of notification) 100 shares of 7% cumulative convertible preferred stock. **Price**—At par ($100 par value). **Proceeds**—To be supplied by amendment. **Office**—148 East Bay St., Charleston, S. C. **Underwriter**—None.

Southern Electric Steel Co.
Dec. 23 (letter of notification) $300,000 of 6% second mortgage serial bonds (with common stock purchase warrants). **Price**—At par (in denominations of $1,000 each). **Proceeds**—For payment of demand notes payable and working capital. **Office**—2301 Huntsville Road, Birmingham, Ala. **Underwriter**—None.

★ **Southern Oxygen Co.**
Jan. 20 filed $1,500,000 convertible subordinated debentures due in 1968. **Proceeds**—Purchase of equipment and new capital. **Price**—To be supplied by amendment. **Underwriter**—Johnston, Lemon & Co., Washington, D. C.

★ **Southwest Grease & Oil Co., Inc.**
Jan. 17 (letter of notification) 35,290 shares of common stock (par $7.50). **Price**—$7.75 per share. **Proceeds**—For the acquisition of Battenfeld Grease & Oil Corp. **Office** — 220 W. Waterman St., Wichita, Kan. **Underwriters**—Small-Milburn Co.; Lathrop, Herrick & Clinger, Inc.; and Brooks & Co. of Wichita, Kan. and Barret, Fitch, North & Co., Kansas City, Mo.

Sovereign Resources, Inc.
Nov. 19 (letter of notification) 1,500 shares of 7% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—For construction, payment of promissory note and working capital. **Office**—3309 Winthrop St., Fort Worth, Tex. **Underwriter**—Reilly, Hoffman & Sweeney, Inc., New York, N. Y. **Offering**—Delayed.

Stuart-Hall Co., Inc., Kansas City, Mo.
Nov. 27 filed $650,000 of 20-year 6% convertible debentures due Dec. 15, 1977. **Price**—At par (in denominations of $1,000 each). **Proceeds**—For working capital and to reduce bank loans. **Underwriter**—White & Co., St. Louis, Mo.

• **Superior Commercial Corp., New York**
See Allstate Commercial Corp. above.

Surinam Corp., Houston, Tex.
Oct. 21 filed 10,000,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For exploration and exploitation of oil, gas and sulphur properties. **Underwriter**—T. J. Campbell Investment Co., Inc., Houston, Tex.

Syntex Corp. (Republic of Panama)
July 24 filed 1,165,750 shares of common stock (par $2) to be offered for subscription by common stockholders of Ogden Corp. on the basis of one new share for each four shares held and to holders of options on the basis of one share for each option to purchase four shares of Ogden common stock; unsubscribed shares to be offered to certain employees and officers. **Price**—$2 per share. **Proceeds**—To pay outstanding obligations to Ogden Corp. **Underwriter**—None.

Tax Exempt Bond Fund, Inc., Washington, D. C.
June 20 filed 40,000 shares of common stock. **Price**—$25 per share. **Proceeds** — For investment. **Underwriter**—Equitable Securities Corp., Nashville, Tenn. **Offering**—Held up pending passing of necessary legislation by Congress.

Taylor Instrument Companies
Oct. 1 filed 99,195 shares of common stock (par $10) to be offered for subscription by common stockholders on the basis of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds** — To retire short term bank loans and for working capital and general corporate purposes. **Office** — Rochester, N. Y. **Underwriter**—The First Boston Corp., New York. **Offering**—Indefinitely postponed.

Tekoil Corp., Dallas, Texas
Dec. 9 filed 677,408 shares of common stock, of which 377,408 shares are to be issued for the account of selling stockholders and the remaining 300,000 shares issued from time to time in exchange for oil and gas properties. Of the 377,408 shares, 132,558 shares, 61,392 shares and 47,606 shares, respectively, are to be issued as dividends to stockholders of Texolina Oil Co., Mountain Valley Oil Corp. and Trigg Drilling Co.; while 57,239 are to be offered immediately to the public, while the balance of 78,613 shares are to be similarly offered in the near future. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—None.

Telephone Utilities, Inc., Ilwaco, Wash.
Dec. 23 (letter of notification) 11,000 shares of 6% cumulative participating preferred stock and 25,000 shares of common stock. **Price**—At par in each instance (preferred, $25 par value); common ($1 par value). **Proceeds**—For the retirement of a short-term bank note and working capital. **Underwriter**—None.

★ **Tennessee Gas Transmission Co. (2/11)**
Jan. 15 filed 1,000,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To repay short-term bank loans. **Underwriters**—Stone & Webster Securities Corp. and White, Weld & Co., both of New York. **Offering**—Expected Feb. 11.

Texam Oil Corp., San Antonio, Texas
May 29 filed 300,000 shares of common stock (par $1), to be offered for subscription by common stockholders on a basis of two new shares for each share held. **Price**—To be supplied by amendment. **Proceeds**—To repay indebtedness, for acquisition and exploration of oil and gas leases, for drilling and completion of wells, and for other corporate purposes. **Underwriter**—None.

★ **Texas Utilities Co. (2/4)**
Jan. 9 filed 340,000 shares of common stock (no par value). **Proceeds** — For construction program of subsidiaries, estimated at $78,271,000 in 1958 and $92,763,000 in 1959. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); The First Boston Corp. and Blyth & Co., Inc. (jointly); The First Southwest Corp., Rauscher, Pierce & Co. and Dallas Securities Co. (jointly); Lehman Bros. and Bear, Stearns & Co. (jointly); Eastman Dillon, Union Securities & Co. **Bids**—Expected to be received up to 11 a.m. (EST) on Feb. 4.

Thrift Investment Corp.
Dec. 27 (letter of notification) 38,642 shares of common stock (par $1) to be offered for subscription by common stockholders of record Jan. 8, 1958, on the basis of one new share for each seven shares then held; warrants to expire on Feb. 7, 1958. **Price**—$6.15 per share. **Proceeds**—For working capital and surplus. **Office**—2 Gateway Center, Pittsburgh 22, Pa. **Underwriter**—McKelvy & Co., Pittsburgh, Pa.

Tourist Industry Development Corp. Ltd.
Jan. 14 filed $2,250,000 7% perpetual subordinated debentures (4% fixed interest and 3% of earned), to be sold at par in denominations of $1,000 and multiples thereof. **Proceeds**—To acquire mortgages or other liens on real estate, also for loans to or invested in hotels, resorts or inland transport. **Office**—Jerusalem, Israel. **Underwriter**—None.

Town & Country Securities Corp.
Dec. 20 filed 250,000 shares of common stock (no par). **Price**—$4 per share. **Proceeds** — For working capital. **Office**—442 W. California Road, Fort Wayne, Ind. **Underwriter**—None.

Trans-America Uranium Mining Corp.
Nov. 6 filed 3,000,000 shares of common stock (par one mill). **Price**—25 cents per share. **Proceeds**—For land acquisition, exploratory work, working capital, reserves, and other corporate purposes. **Underwriter**—None. Alfred E. Owens of Waterloo, Ia., is President.

Trask Manufacturing Co.
Dec. 5 (letter of notification) 15,000 shares of common stock (par $5). **Price** — $4.50 per share. **Proceeds** — For working capital and payment of current liabilities. **Address**—Wrightsboro section, 3 miles north of Wilmington, N. C. **Underwriter** — Selected Investments, Wilmington, N. C.

Ulrich Manufacturing Co.
Sept. 24 filed $600,000 of 6% sinking fund debentures and 30,000 shares of class A common stock (par $1) to be offered in units of $500 of debentures and 25 shares of stock. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans, to repay all or part of an outstanding 5% term loan and/or provide additional working capital. **Office**—Roanoke, Ill. **Underwriter**—White & Co., St. Louis, Mo., on a best-efforts basis.

United Funds, Inc., Kansas City, Mo.
Jan. 3 filed (by amendment) additional securities as follows: 1,500,000 shares United Income Fund (par $1); 1,000,000 shares United Service Fund (par $1); 750,000 shares United Continental Fund (par $1). **Price** — At market. **Proceeds**—For investment.

United States Sulphur Corp.
Oct. 8 filed 1,500,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For plant rental, etc.; to retire corporate notes; for core drilling; for working capital; and for other exploration and development work. **Office** — Houston, Texas. **Underwriter** — None.

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Uranium Corp. of America, Portland, Ore.
April 30 filed 1,250,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment (expected to be $1 per share). **Proceeds**—For exploration purposes. **Underwriter**—To be named by amendment. Graham Albert Griswold of Portland, Ore., is President.

Washington National Development Corp.
Oct. 2 (letter of notification) 50,000 shares of common stock (par $1) of which 34,280 shares are to be offered publicly at $1.20 per share and 15,720 shares are to be offered to certain individuals under options. **Proceeds**—For general corporate purposes. **Office** — 3612 Quesada St., N. W., Washington, D. C. **Underwriter**—Wagner & Co., New York City.

Western Copperada Mining Corp. (Canada)
Aug. 30 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For development and exploratory work, drilling costs and survey, and for working capital. **Office** — 1205 Phillips Square, Montreal, Canada. **Underwriter**—Jean R. Veditz Co., Inc., New York. **Offering**—Expected at any time.

● **Wisconsin Southern Gas Co., Inc.**
Dec. 12 filed 19,327 shares of common stock (par $10) being offered for subscription by common stockholders of record Dec. 26, 1957 at the rate of one new share for each six shares held; rights to expire on Jan. 24, 1958. **Price**—$16 per share. **Proceeds**—To repay bank loans. **Underwriters**—The Milwaukee Co., Milwaukee, Wis.; and Harley, Hayden & Co. and Bell & Farrell, Inc., both of Madison, Wis.

Worldmark Press, Inc.
Dec. 20 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For working capital and general corporate purposes. **Office**—207 East 43rd Street, New York, N. Y. **Underwriter**—J. A. Winston & Co., Inc., New York.

Wright Line Inc.
Jan. 10 filed 11,680 shares of class B common stock ($1 par value). **Proceeds**—Working capital. **Offering**—10,720 shares to holders of options granted Jan. 29, 1954, at $2.625 a share and 960 shares to holders of options granted Jan. 11, 1954, at $3.375 per share. **Office**—160 Gold Star Boulevard, Worcester, Mass. **Underwriter**—None. **Correction** — Amount of issue was inadvertently given as 11,680,000 shares in this column on Jan. 16.

Young (Donald W.) & Son, Inc. (1/31)
Nov. 14 (letter of notification) $75,000 of 10-year 6% debentures due Oct. 1, 1967, with common stock warrants to purchase 7,500 shares of 10-cent par common stock at $1 per share. **Price**—$100 per unit of a $100 debenture and one warrant. **Proceeds**—To repay short term debt and for working capital. **Office**—Stockholm N. Y. **Underwriter** — Sherry, Maloney & Co., Inc., New York. **Offering**—Expected Jan. 31.

Prospective Offerings

American Electronics, Inc.
Dec. 30 it was reported company plans to sell approximately $3,500,000 convertible debentures. **Underwriters**—To be determined by competitive bidding. Probable bidders; Van Alstyne, Noel & Co. and Crowell, Weedon & Co. (jointly). **Offering**—Expected in March.

Appalachian Electric Power Co. (6/3)
Dec. 2, it was reported that this company, a subsidiary of American Gas & Electric Co., plans to issue and sell $25,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Eastman Dillon, Union Securities & Co. (jointly); Harriman Ripley & Co. Inc. **Bids**—Tentatively expected to be received on June 3.

★ **Atlantic City Electric Co.**
Jan. 20 it was reported company plans to issue and sell in 1958 $10,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co. and Smith, Barney & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp. and Drexel & Co. (jointly); White, Weld & Co. and Shields & Co. (jointly).

★ **Baltimore Gas & Electric Co.**
Jan. 16 it was reported company may issue and sell about $30,000,000 of first mortgage bonds this Spring, with some equity financing later in the year. **Proceeds**—For construction program. **Underwriter**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and The First Boston Corp. (jointly); Harriman Ripley & Co. Inc. and Alex. Brown & Sons (jointly); Kuhn, Loeb & Co. Common stock offering, probable first to stockholders, may be underwritten by The First Boston Corp., New York.

Baltimore & Ohio RR. (2/20)
Bids will be received by the company at 2 Wall St., New York 5, N. Y., up to noon (EST) on Feb. 20 for the purchase from it of $3,435,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ **Barton Distilling Co.**
Jan. 20 it was reported company plans to issue and sell $1,000,000 of 6½% five-year notes, to be secured by warehouse certificates on aging whiskey. **Underwriter**—Fulton Reid & Co., Cleveland, Ohio. **Registration**—Scheduled for Jan. 28.

Brooklyn Union Gas Co.
Nov. 25 it was announced that company expects to issue and sell $22,000,000 of first mortgage bonds next April or May. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Blyth & Co., Inc., and F. S. Moseley & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co. Inc. and The First Boston Corp. (jointly); White, Weld & Co.

California Electric Power Co. (2/27)
Jan. 10 company announced that it will sell $12,000,000 of first mortgage bonds. **Proceeds**—To repay construction bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; White, Weld & Co. **Bids**—Expected Feb. 27.

California Electric Power Co.
Jan. 10 company announced that in addition to sale of $12,000,000 first mortgage bonds scheduled for Feb. 27, it will probably do some common stock financing next Fall.

Central Illinois Public Service Co. (2/25)
Dec. 9 it was reported company plans to issue and sell $15,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); Salomon Bros. & Hutzler; Blair & Co., Inc.; Blyth & Co., Inc., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). **Bids**—Expected Feb. 25.

Chicago District Pipeline Co.
Nov. 12 it was announced company plans to sell about $5,000,000 of first mortgage bonds sometime after the turn of the year. **Proceeds**—To repay advances made by Peoples Gas Light & Coke Co., the parent. **Underwriters**—Probably Dillon, Read & Co. Inc. and Halsey, Stuart & Co. Inc.

★ **Chicago & North Western Ry. (1/30)**
Bids are expected to be received by the company up to noon (CST) on Jan. 30 for the purchase from it of $2,145,000 equipment trust certificates to mature annually from Jan. 1, 1959 to 1973, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Chicago Rock Island & Pacific RR.
Dec. 18 it was announced company plans to issue and sell in late Spring of 1958 between $16,000,000 to $20,000,000 first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Eastman Dillon, Union Securities & Co. and Blyth & Co. (jointly); First Boston Corp.; Kuhn, Loeb & Co.

Cincinnati Gas & Electric Co.
Nov. 8 it was reported company plans in 1958 to sell about $15,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. and W. E. Hutton & Co. (jointly); Blyth & Co. Inc. and The First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Lehman Bros. (jointly); Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly).

★ **Citizens & Southern National Bank of Savannah, Ga.**
Jan. 15 it was reported Bank plans to offer to its stockholders the privilege of subscribing for 100,000 additional shares of capital stock in about 60 days. **Underwriter**—None.

● **Columbia Gas System, Inc. (3/6)**
Dec. 23 it was reported company plans to issue and sell $25,000,000 of 25-year debentures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Morgan Stanley & Co.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly). **Bids**—Tentatively expected to be received on March 6.

Columbus & Southern Ohio Electric Co.
Dec. 9 it was reported company plans to issue and sell in 1958 about 250,000 shares of common stock. **Underwriters** — Dillon, Read & Co. Inc. and The Ohio Co. (jointly).

Consolidated Edison Co. of New York, Inc.
Dec. 3 it was stated that about $60,000,000 of new bonds may be sold next year to repay bank loans incurred through August, 1958. **Underwriter**—To be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.

Consolidated Natural Gas Co.
Company reportedly plans to issue and sell approximately $45,000,000 debentures. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; White, Weld & Co. and Paine, Webber, Jackson & Curtis (jointly); Morgan Stanley & Co. and First Boston Corp. (jointly).

★ **Delaware County National Bank, Chester, Pa.**
Jan. 15 Bank offered to its stockholders of record Jan. 14 the right to subscribe on or before Feb. 4 for 11,000 additional shares of capital stock on a 1-for-10 basis (with an oversubscription privilege). **Price** — $30 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Drexel & Co., Philadelphia, Pa.

Denver & Rio Grande Western Ry. (1/29)
Bids are expected to be received by the company at 2 p.m. on Jan. 29 for the purchase from it of $2,460,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Duquesne Light Co
Dec. 12 it was reported company plans to issue and sell around $15,000,000 of first mortgage bonds due 1988. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; White, Weld & Co.; Glore, Forgan & Co.; Kuhn, Loeb & Co.; Eastman Dillon, Union Securities & Co., and A. C. Allyn & Co. Inc. (jointly); Drexel & Co. and Equitable Securities Corp. (jointly). **Offering**—Planned in first half of 1958.

★ **Florida Power & Light Co.**
Jan. 20 it was reported company may issue and sell between $15,000,000 and $25,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); The First Boston Corp.

★ **General Telephone Co. of California**
Jan. 16 it was reported company plans to issue and sell $20,000,000 of first mortgage bonds, probably this Summer. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp. (jointly); Equitable Securities Corp.

Georgia Power Co. (3/20)
Dec. 6 it was announced company plans to issue and sell $21,500,000 of first mortgage bonds due 1988. **Proceeds**—To finance construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Lehman Brothers; The First Boston Corp.; Blyth & Co., Inc., Kidder, Peabody & Co. and Shields & Co. (jointly); Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Scheduled to be received up to 11 a.m. (EST) on Feb. 20. **Registration**—Planned for Feb. 21.

● **Great Northern Ry. (1/23)**
Bids are expected to be received by the company up to noon (EST) on Jan. 23 for the purchase from it of $5,700,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. Hutzler.

Gulf, Mobile & Ohio RR.
Dec. 20 ICC granted company permission to issue $28,343,800 of 5% income debentures to mature Dec. 1, 2056, in exchange for the 283,438 shares of outstanding $5 preferred stock (no par) on the basis of $100 of debentures for each preferred share. Offer expires Feb. 14, 1958, but may be extended. **Underwriter**—None.

Gulf Power Co. (2/20)
Dec. 6 it was announced company plans to issue and sell $8,000,000 of first mortgage bonds due 1988. **Proceeds**—To finance construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Blyth & Co., Inc.; Lehman Brothers; Eastman Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Salomon Bros. & Hutzler (jointly). **Bids**—Scheduled to be received up to 11 a.m. (EST) on Feb. 20. **Registration**—Planned for Jan. 24.

★ **Illinois Power Co.**
Jan. 20 it was reported company may issue around $20,000,000 to $30,000,000 of first mortgage bonds during 1958. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); The First Boston Corp.; Harriman Ripley & Co. Inc.

Indianapolis Power & Light Co. (3/11)
Jan. 6 it was announced that company expects to issue and sell $8,000,000 to $10,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; White, Weld & Co. and Shields & Co. (jointly); Blyth & Co.; Kuhn, Loeb & Co.; Lehman Brothers and Goldman, Sachs & Co. and First Boston Corp. (jointly); Equitable Securities Corp. **Bids**—Expected March 11.

Iowa Illinois Gas & Electric Co. (3/5)
Dec. 9 it was announced company plans to issue and sell $9,000,000 of debentures (probably convertible). **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Glore, Forgan & Co.; The First Boston Corp.; Harriman, Ripley & Co. Inc., Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly); Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; Equitable Securities Corp.; Blyth & Co. **Bids**—Expected on March 5. **Registration**—Planned for Feb. 5.

Iowa Public Service Co. (3/3)
Dec. 18 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds due 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Blair & Co. Inc.; White, Weld & Co.; The First Boston Corp., Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly); Kidder, Peabody & Co. and Blyth & Co. (jointly). **Bids**—Expected to be received on March 3.

Litton Industries, Inc.
Dec. 14 stockholders approved the creation of an issue of 16,000 shares of $100 par preferred stock and an increase in the authorized common stock from 2,000,000 to 3,500,000 shares. **Underwriters** — Lehman Brothers and Clark, Dodge & Co. handled last equity financing which was done privately.

Louisiana Power & Light Co.
Dec. 16, it was announced company may borrow $11,500,000 from banks pending a final financing program relating to the disposition of its gas properties to Louisiana Gas Service Co., a new company.

★ Merrimack-Essex Electric Co. (3/10)
Jan. 20 company announced intention to issue $20,000,000 series C first mortgage bonds, due in 1988. **Proceeds**—To redeem like amount of series B 5⅝s of 1987. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co. and White, Weld & Co., (jointly); Halsey, Stuart & Co. Inc., and First Boston Corp. **Bids**—To be opened at noon on March 10. **Registration**—Expected early in February.

Missiles-Rockets-Jets & Automation Fund, Inc.
On Jan. 7 this new fund registered under the Investment Company Act of 1940. Plans to issue $15,000,000 common stock, of which $7,500,000 will be underwritten on a firm basis by Ira Haupt & Co. **Price**—$10. **Proceeds**—For investment. **Technological Advisors**—Include Dr. Theodore von Karman, Chairman of the advisory group for aeronautical research and development of NATO.

Mississippi Power & Light Co.
Dec. 4 it was announced company plans to issue and sell, probably in May or June of 1958, $10,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Equitable Securities Corp. and Shields & Co. (jointly); Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane, Eastman Dillon, Union Securities & Co.; White, Weld & Co. and Kidder Peabody & Co. (jointly); The First Boston Corp.

★ Montreal Transportation Commission (2/18)
Jan. 14 it was reported that the sale of $13,500,000 of debentures is planned in the United States. **Underwriters**—Shields & Co.; Halsey, Stuart & Co. Inc.; White, Weld & Co.; and Savard & Hart (jointly). **Offering**—Feb. 18.

Multnomah Canadian Fund, Ltd.
Nov. 25 it was announced company has applied to SEC for permission to issue and sell in the United States its class A common shares, of which there are authorized 1,000,000 shares (par $1) and 10,000 shares outstanding. **Office**—Vancouver, B. C., Canada.

New Orleans Public Service Inc.
Dec. 4 it was announced company plans to issue and sell $6,000,000 of first mortgage bonds in the Spring of 1958. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lee Higginson Corp.; Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); White, Weld & Co.; Salomon Bros. & Hutzler.

● Norfolk & Western Ry. (2/19)
Bids are expected to be received by this company up to noon (EST) on Feb. 19 for the purchase from it of $4,140,000 equipment trust certificates (third instalment) to mature semi-annually from May 1, 1958 to and including Nov. 1, 1972. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Northern Illinois Gas Co. (2/19)
Jan. 6 company announced that proposed $10,000,000 financing will consist of 100,000 shares of $100 preferred stock. **Proceeds**—New construction. **Underwriter**—First Boston Corp. and Glore, Forgan & Co., jointly. **Offering**—Expected Feb. 19.

★ Northern States Power Co. (Minn.)
Jan. 13 it was reported that the company may be considering the issue and sale this Summer of about $25,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Lehman Brothers and Riter & Co. (jointly); Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly).

Ohio Edison Co. (3/4)
Dec. 12 it was reported company plans to offer $30,000,000 to $35,000,000 first mortgage bonds due 1988. **Proceeds**—To repay bank loans, etc. and for new construction. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan, Stanley & Co.; First Boston Corp.; Glore, Forgan & Co., White, Weld & Co. and Eastman Dillon, Union Securities & Co. (jointly). **Bids** — Expected on March 4.

Oklahoma Gas & Electric Co.
Nov. 18 it was reported company plans to raise about $20,000,000 this Spring, through sale of bonds and other securities. **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; The First Boston Corp.; Kuhn, Loeb & Co., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Harriman Ripley & Co. Inc. and Eastman Dillon, Union Securities & Co. (jointly). (2) For preferred stock — Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); The First Boston Corp.; Lehman Bros. and Blyth & Co. Inc. (jointly); Smith, Barney & Co.; Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co. Any offering of common stock may be made to common stockholders, with Merrill Lynch, Pierce, Fenner & Beane underwriting.

Pacific Telephone & Telegraph Co.
Jan. 8 it was reported company plans $300,600,000 capital outlay program. **Proceeds**—For construction program in 1958 and 1959 ($137,000,000 in 1958). **Underwriter**—To be determined by competitive bidding. Probable bidders— Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

Public Service Electric & Gas Co.
Aug. 1 it was announced company anticipates it will sell in 1958 $25,000,000 of preferred stock. **Proceeds**—For construction program. **Underwriter**—May be Merrill Lynch, Pierce, Fenner & Beane, New York.

★ Richfield Oil Corp.
Jan. 6 it was reported that company may late in January announce its financing plans, which are not yet completed. **Underwriter** — May be Merrill Lynch, Pierce, Fenner & Beane, New York.

Riddle Airlines, Inc.
Oct. 21 it was announced company plans to register with the SEC an issue of new common stock, the number of shares and the price at which they will be offered not yet determined. The authorized common stock has been increased from 7,500,000 to 15,000,000 shares. **Proceeds**—To finance route expansion and for working capital. **Underwriter**—James H. Price & Co., Inc., Coral Gables, Fla. and New York, N. Y., handled previous public offering of 500,000 shares of common stock at $3.25 per share in July, 1956.

South Carolina Electric & Gas Co.
Jan. 6 it was reported company is considering additional common stock financing to be offered to stockholders on a 1-or-10 basis. Last rights offering by company was underwritten by Kidder, Peabody & Co. **Offering**—Tentatively expected later in February.

● Southern California Edison Co.
Jan. 20 company applied to the California P. U. Commission for exemption from competitive bidding of a proposed new issue of not to exceed 1,000,000 shares of cumulative preferred stock (par $25). **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

Southern Counties Gas Co. of California
Dec. 16 it was reported company plans to issue and sell in March, 1958, $15,000,000 of first mortgage bonds. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane.

Southern Nevada Power Co.
Dec. 3 it was announced company plans to raise in mid-1958 between $5,000,000 and $6,000,000 new capital, about two-thirds of which will be through bond financing and the balance through common stock financing. **Underwriter**—For stock, may be Hornblower & Weeks, William R. Staats & Co. and The First California Co. (jointly). For bonds, to be determined by competitive bidding. Only bidders in 1956 for $4,000,000 bonds were Halsey, Stuart & Co. Inc.; Hornblower & Weeks and William R. Staats & Co. (jointly).

Southern New England Telephone Co. (2/26)
Dec. 12 it was announced company plans to issue and sell $30,000,000 of debentures. **Proceeds**—For repayment of advances received from American Telephone & Telegraph Co. and construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Lehman Brothers and Salomon Bros. & Hutzler (jointly); The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane. **Bids** — Scheduled to be received on Feb. 26. **Registration**—Planned for Feb. 4.

★ Toledo Edison Co.
Jan. 20 it was reported company plans to issue and sell about $15,000,000 of first mortgage bonds in April or May of this year. **Proceeds**—To repay bank loans. **Underwriter**—If issue is not placed privately, underwriter may be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Eastman Dillon, Union Securities & Co.; and Salomon Bros. & Hutzler (jointly); Carl M. Loeb, Rhoades & Co.; The First Boston Corp.

Tuttle Engineering, Inc., Arcadia, Calif.
Nov. 6, Harry Oedekerk, Chairman of the Board, announced corporation plans a public stock issue in the near future. **Proceeds**—For working capital and other corporate purposes.

● Union Electric Co. (Mo.) (3/5)
Nov. 11 it was reported company plans to issue and sell approximately $35,000,000 first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); White, Weld & Co., Blyth & Co., Inc., Eastman Dillon, Union Securities & Co. and Shields & Co. (jointly); The First Boston Corp. **Bids**—Expected to be received on March 5.

● Virginia Electric & Power Co. (6/10)
Dec. 26 it was reported company plans to issue and sell $25,000,000 bonds or debentures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Salomon Bros. & Hutzler; White, Weld & Co.; Eastman Dillon, Union Securities & Co.; Stone & Webster Securities Corp.; Kuhn, Loeb & Co. and American Securities Corp. (jointly). **Bids**—Tentatively expected to be received on June 10.

● Virginia & Southwestern Ry. (2/27)
Company plans to sell $5,000,000 bonds. **Proceeds**—To redeem similar amount due April 1, 1958. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Salomon Bros. & Hutzler. **Bids**—Expected to be received on Feb. 27.

Washington Natural Gas Co.
Oct. 18 the directors authorized the sale of $5,000,000 in debentures. **Proceeds**—For expansion program. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

Our Reporter's Report

The investment markets profited by the latest administration attempt to give business a "hypo" even though its effect on the equity market was virtually nil. There, of course, earnings are the big thing, while in investments it is the rate of return as related to the caliber of a given debt issue.

So, when the latest monetary moves were announced the investment markets, which had begun to settle a bit of almost two months of edging ahead, took on new life. Government bonds stepped out for gains of almost a point at the last prices yesterday, that is in the long end of the list.

And underwriters bringing corporate new debt issues to market found themselves enjoying the benefits of the latest fillip in values and consequent tapering off in yields. Pacific Gas & Electric Co.'s $75 million of 3¾% bonds, sold to bankers yesterday and brought out to yield 3.65% was a case in point.

For a spell, after the reoffering terms were made known yesterday, it was indicated that while this offering doubtless would move out to investors, it was not destined to be an "out-the-window" operation.

It had started out originally as a $50 million project, but the company's directors, proved correct in their judgment by events since, jacked up the total to $75 million.

With the latest cut in the Philadelphia rediscount rate and the lowering of the charge for prime loans by many banks, investors, reading the handwriting on the wall, stepped up and took away not only the Pacific Gas offering, but bits and pieces of other recent issues.

Softening Money Rates

Whatever the real motive for the current softening of money rates, whether it be a reflection of nervousness over the outlook in high quarters, or an outright effort to turn the receding trend, borrowing is being made cheaper.

The Administration, long committed to the fight against inflation, very obviously is now determined to stem the current deflationary curve through the use of its money management policies among other things.

The big question is whether or not the current moves will have the effect of reviving corporate spending for expansion and improvements. Most such budgets had been trimmed considerably from the peak levels of 1957. How can you make the horse drink after you have led him to the water?

Investor Demand Good

Tremendous interest displayed this week in "rights" to subscribe for American Telephone & Telegraph Co.'s debentures, and stock of Royal Dutch Petroleum Co., attest to the brisk investment demand around.

"Rights" to both these issues were turned over in heavy volume upon their admission to trading. Royal Dutch books are now open and underwriters are already making sizable "layoffs" against the "rights" which they have acquired in the open market.

American Telephone will open books around Feb. 7 for subscriptions in the ratio of $100 of new debentures for each nine shares held, at a price of 100, "rights" to expire March 12.

Mounting Calendar

Several more companies made known their intentions of coming into the capital market in the weeks ahead. Southern California Edison Co. proposes to raise up to $25 million by the sale of not over a million shares of preferred stock late next month.

Pennsylvania Electric Co., a General Public Utilities Corp. subsidiary, plans to sell $29 million of first mortgage, 30-year bonds to finance construction.

And Rochester Telephone Corp. has arranged to place $10 million of 33-year, first mortgage bonds with a group of institutional investors. Proceeds from the 5% issue will be used in part to repay bank loans.

Issues Big, But Few

The ensuing week will not be large from the standpoint of the number of new issues it brings to market. But it will shape up substantially on the basis of the amount of capital to be raised.

On Tuesday, Bell Telephone Co. will open bids for $50 million of new debentures and Northern Natural Gas Co. will open subscriptions, by shareholders, for 456,813 shares of common stock. The same day Quebec Hydro Electric will market $50 million of bonds through a large banking syndicate.

On Wednesday, Denver, Rio Grande Railroad will round out the week's new corporate business by taking bids for an issue of $2.4 million equipment trust certificates.

Ralph B. Leonard & Co. Offers Shares of First Nat'l Life Insur. Co.

Ralph B. Leonard & Co., Inc., New York City, on Jan. 22 made public offering of a new issue of 150,000 shares of capital stock (par value $4) of the First National Life Insurance Co., Phoenix, Ariz., at a price of $12 per share. The offering is not applicable in the State of New York.

Joins Kidder Staff

(Special to The Financial Chronicle)

MIAMI, Fla.—Justin R. Dusard has joined the staff of A. M. Kidder & Co., Inc., 139 East Flagler Street.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (per cent of production)	Jan. 25	§93.4	*95.7	85.0	153.9
Equivalent to—					
Steel ingots and castings (net tons)	Jan. 25	§1,500,000	*1,538,000	1,366,000	2,472,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Jan. 10	6,849,985	6,863,460	6,884,200	7,395,965
Crude runs to stills—daily average (bbls.)	Jan. 10	¶7,772,000	7,867,000	7,774,000	8,272,000
Gasoline output (bbls.)	Jan. 10	26,981,000	27,591,000	27,336,000	27,677,000
Kerosene output (bbls.)	Jan. 10	2,524,000	2,589,000	2,167,000	2,622,000
Distillate fuel oil output (bbls.)	Jan. 10	13,189,000	13,240,000	13,118,000	14,393,000
Residual fuel oil output (bbls.)					
Stocks at refineries, bulk terminals, in transit, in pipe lines—	Jan. 10	7,705,000	7,892,000	7,761,000	9,319,000
Finished and unfinished gasoline (bbls.) at	Jan. 10	198,738,000	198,035,000	188,845,000	189,243,000
Kerosene (bbls.) at	Jan. 10	27,261,000	28,511,000	29,904,000	29,795,000
Distillate fuel oil (bbls.) at	Jan. 10	141,349,000	150,021,000	159,275,000	122,983,000
Residual fuel oil (bbls.) at	Jan. 10	58,257,000	59,621,000	59,034,000	42,727,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Jan. 11	569,444	471,749	603,036	680,766
Revenue freight received from connections (no. of cars)	Jan. 11	490,066	426,770	555,292	589,510
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Jan. 16	$219,940,000	$170,986,000	$265,614,000	$334,976,000
Private construction	Jan. 16	105,118,000	61,974,000	97,323,000	157,970,000
Public construction	Jan. 16	114,822,000	109,012,000	168,291,000	179,906,000
State and municipal	Jan. 16	80,115,000	94,122,000	145,675,000	121,565,000
Federal	Jan. 16	34,707,000	14,890,000	22,616,000	57,441,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Jan. 11	8,705,000	6,980,000	8,930,000	10,250,000
Pennsylvania anthracite (tons)	Jan. 11	506,000	299,000	484,000	622,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Jan. 11	108	95	266	107
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Jan. 18	12,400,000	12,506,000	12,412,000	12,556,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Jan. 16	260	324	276	278
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Jan. 14	5.967c	5.967c	5.967c	5.622c
Pig iron (per gross ton)	Jan. 14	$66.42	$66.42	$66.42	$62.90
Scrap steel (per gross ton)	Jan. 14	$33.17	$33.00	$32.00	$59.17
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Jan. 15	24.575c	26.525c	26.200c	35.575c
Export refinery at	Jan. 15	21.625c	22.475c	21.800c	33.600c
Lead (New York) at	Jan. 15	13.000c	13.000c	13.000c	16.000c
Lead (St. Louis) at	Jan. 15	12.800c	12.800c	12.800c	15.800c
‡Zinc (delivered) at	Jan. 15	10.500c	10.500c	10.500c	14.000c
Zinc (East St. Louis) at	Jan. 15	10.000c	10.000c	10.000c	13.500c
Aluminum (primary pig. 99%) at	Jan. 15	26.000c	26.000c	26.000c	25.000c
Straits tin (New York) at	Jan. 15	92.250c	94.000c	92.750c	102.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Jan. 21	94.19	94.96	92.71	90.45
Average corporate	Jan. 21	95.62	94.71	92.79	95.47
Aaa	Jan. 21	102.80	102.13	100.32	100.16
Aa	Jan. 21	99.52	98.57	96.23	97.94
A	Jan. 21	96.54	93.77	92.50	95.77
Baa	Jan. 21	84.94	84.04	82.27	88.81
Railroad Group	Jan. 21	92.06	91.34	88.95	94.26
Public Utilities Group	Jan. 21	96.85	95.92	93.08	96.38
Industrials Group	Jan. 21	98.09	97.31	95.62	95.92
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S Government Bonds	Jan. 21	2.99	2.93	3.13	3.29
Average corporate	Jan. 21	4.03	4.09	4.22	4.04
Aaa	Jan. 21	3.58	3.62	3.73	3.74
Aa	Jan. 21	3.78	3.84	3.99	3.88
A	Jan. 21	3.97	4.02	4.24	4.02
Baa	Jan. 21	4.79	4.86	5.00	4.50
Railroad Group	Jan. 21	4.27	4.32	4.49	4.12
Public Utilities Group	Jan. 21	3.95	4.01	4.20	3.98
Industrials Group	Jan. 21	3.87	3.92	4.03	4.01
MOODY'S COMMODITY INDEX	Jan. 21	395.6	388.7	393.2	435.1
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Jan. 11	264,368	89,692	254,413	298,301
Production (tons)	Jan. 11	275,279	54,423	288,876	277,588
Percentage of activity	Jan. 11	88	51	92	97
Unfilled orders (tons) at end of period	Jan. 11	402,939	414,959	368,256	475,500
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Jan. 17	108.44	108.43	108.22	111.01
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Dec. 28	1,296,210	1,672,050	1,914,260	964,140
Short sales	Dec. 28	194,070	289,730	453,550	118,900
Other sales	Dec. 28	932,940	1,338,370	1,510,300	764,190
Total sales	Dec. 28	1,127,010	1,628,100	1,963,850	883,090
Other transactions initiated on the floor—					
Total purchases	Dec. 28	294,020	386,620	403,500	170,050
Short sales	Dec. 28	24,400	54,800	95,800	6,400
Other sales	Dec. 28	194,650	474,920	426,100	141,580
Total sales	Dec. 28	219,050	529,720	521,900	147,980
Other transactions initiated off the floor—					
Total purchases	Dec. 28	460,164	540,080	615,952	329,240
Short sales	Dec. 28	46,590	76,750	160,510	64,140
Other sales	Dec. 28	335,922	457,530	575,605	340,664
Total sales	Dec. 28	382,512	534,280	736,115	404,804
Total round-lot transactions for account of members—					
Total purchases	Dec. 28	2,250,394	2,598,750	2,933,712	1,463,430
Short sales	Dec. 28	265,060	421,280	709,860	189,440
Other sales	Dec. 28	1,463,512	2,270,820	2,512,005	1,246,434
Total sales	Dec. 28	1,728,572	2,692,100	3,221,865	1,435,874
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	Dec. 28	1,069,228	1,398,063	1,257,516	928,899
Dollar value	Dec. 28	$39,504,282	$54,185,406	$52,552,708	$46,912,489
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Dec. 28	1,127,326	1,314,903	1,045,486	764,757
Customers' short sales	Dec. 28	8,917	16,717	20,056	3,743
Customers' other sales	Dec. 28	1,118,409	1,298,186	1,025,430	761,014
Dollar value	Dec. 28	$38,952,023	$49,173,516	$43,101,315	$35,690,619
Round-lot sales by dealers—					
Number of shares—Total sales	Dec. 28	347,330	420,500	297,490	182,500
Short sales	Dec. 28	------	------	------	------
Other sales	Dec. 28	347,330	420,500	297,490	182,500
Round-lot purchases by dealers—					
Number of shares	Dec. 28	323,610	478,220	480,370	337,380
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	Dec. 28	367,890	646,710	1,018,030	241,370
Other sales	Dec. 28	10,021,700	13,267,560	13,036,520	7,555,800
Total sales	Dec. 28	10,389,590	13,914,270	14,054,550	7,797,170
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49=100):					
Commodity Group—					
All commodities	Jan. 14	118.7	*118.7	118.2	116.3
Farm products	Jan. 14	93.8	*93.5	*92.7	88.9
Processed foods	Jan. 14	109.0	*108.3	*107.2	104.1
Meats	Jan. 14	100.7	*98.6	95.0	82.5
All commodities other than farm and foods	Jan. 14	125.9	*126.0	125.8	124.9

*Revised figure. ¶Includes 1,044,000 barrels of foreign crude runs. §Based on new annual capacity of 140,742,570 tons as of Jan. 1, 1958, as against Jan. 1, 1957 basis of 128,363,090 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES—Month of October (Millions of dollars):			
Manufacturing	$54,100	*$54,200	$51,800
Wholesale	12,800	12,800	12,800
Retail	24,200	*24,400	23,300
Total	$91,000	*$51,300	$87,800
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—REVISED SERIES—Estimated short and intermediate term credit in millions as of Nov. 30:			
Total consumer credit	$43,530	*$43,275	*$40,831
Instalment credit	33,596	*33,504	*31,240
Automobile	15,543	*15,579	*14,469
Other consumer goods	8,300	*8,236	*8,066
Repairs and modernization loans	1,096	*1,988	*1,890
Personal loans	7,758	*7,701	*6,815
Noninstalment credit	9,934	*9,770	*9,591
Single payment loans	3,458	*3,405	*3,258
Charge accounts	4,135	*3,991	*4,072
Service credit	2,341	*2,374	*2,261
COTTON AND LINTERS — DEPT. OF COMMERCE — RUNNING BALES:			
Consumed month of November	656,205	819,816	870,069
In consuming establishment as of Nov. 30	1,442,047	1,284,906	1,447,637
In public storage as of Nov. 30	11,330,443	10,802,463	16,943,135
Linters—Consumed month of November	102,965	107,298	128,710
Stocks Nov. 30	837,345	786,316	969,616
Cotton spindles active as of Nov. 30	18,133,000	18,130,000	18,786,000
CROP PRODUCTION — CROP REPORTING BOARD U. S. DEPT. OF AGRICULTURE— Crop as of Dec. 17 (in thousands):			
Corn, all (bushels)	3,402,832	3,332,535	3,455,283
Wheat, all (bushels)	947,102	927,324	1,004,272
Winter (bushels)	707,201	690,601	740,928
All spring (bushels)	239,901	236,723	263,344
Durum (bushels)	39,680	40,810	38,503
Other spring (bushels)	200,221	195,913	224,841
Oats (bushels)	1,308,360	1,337,790	1,163,160
Soybeans for beans (bushels)	479,841	491,421	449,446
Barley (bushels)	435,695	430,737	376,873
Rye (bushels)	26,528	26,440	21,155
Buckwheat (bushels)	1,871	------	2,032
Flaxseed (bushels)	25,754	27,060	48,009
Rice (bags)	43,130	42,877	49,459
Popcorn (pounds)	250,716	------	332,898
Sorghum grain (bushels)	561,977	526,528	206,205
Sorghum forage (tons)	7,458	------	4,613
Sorghum silage (tons)	14,934	------	8,843
Cotton, lint (bales)	11,010	11,788	13,310
Cottonseed (tons)	4,527	------	5,407
Hay, all (tons)	121,402	121,238	108,680
Hay, wild (tons)	11,313	11,527	8,614
Alfalfa seed (pounds)	154,972	------	165,280
Red clover seed (pounds)	70,199	------	76,713
Alsike clover seed (pounds)	12,571	------	10,633
Sweetclover seed (pounds)	32,353	------	36,570
Lespedeza seed (pounds)	139,805	------	137,545
Timothy seed (pounds)	37,165	------	26,515
Beans, dry (bags)	15,771	15,750	17,218
Peas, dry (bags)	3,270	3,315	4,639
Cowpeas for peas (bushels)	1,425	------	1,434
Peanuts picked and threshed (pounds)	1,504,850	1,503,925	1,607,210
Velvetbeans (tons)	107	------	140
Potatoes (hundredweight)—			
Winter	6,790	6,810	5,260
Early spring	4,408	4,243	4,022
Late spring	30,104	28,616	24,330
Early summer	9,071	8,843	9,503
Late summer	31,667	32,213	33,967
Fall	154,228	155,780	166,634
Sweetpotatoes (hundredweight)	18,053	17,376	16,920
Tobacco (pounds)	1,680,108	1,684,100	2,179,003
Sorghum sirup (gallons)	2,527	------	2,745
Sugarcane for sugar and seed (tons)	7,666	7,768	6,483
Sugarcane sirup (gallons)	3,405	------	3,895
Sugar beets (tons)	15,379	15,173	13,010
Maple sirup (gallons)	1,833	------	1,571
Broomcorn (tons)	43	42	20
Hops (pounds)	40,135	40,796	38,383
Apples, commercial crop (bushels)	117,308	116,308	100,623
Peaches (bushels)	63,056	62,741	70,209
Pears (bushels)	31,902	31,986	32,322
Grapes (tons)	2,611	2,591	2,912
Cherries (tons)	236	229	168
Apricots (tons)	208	196	196
Plums (tons)	88	------	105
Prunes, dried (tons)	171	------	198
Prunes, other than dried (tons)	63	------	82
Avocados (tons)	48	------	26
Olives (Calif.) (tons)	37	------	70
Oranges (boxes)	136,190	------	136,705
Grapefruit (boxes)	44,700	------	44,780
Lemons (Calif.) (boxes)	14,700	------	16,200
Cranberries (barrels)	1,046	1,037	988
Pecans (pounds)	112,100	121,550	173,700
Almonds (Calif.) (tons)	38	------	59
Walnuts (tons)	67	------	72
Tung nuts (tons)	102	------	103
Commercial vegetables—			
For fresh market (28 crops) (tons)	10,247	------	10,847
For processing (10 crops) (tons)	6,748	------	8,375
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on Nov. 30	21,103,000	21,096,000	21,657,000
Spinning spindles active on Nov. 30	18,133,000	18,130,000	18,786,000
Active spindle hours (000's omitted) Nov. 30	8,231,000	10,475,000	11,145,000
Active spindle hours per spindle in place Nov.	411.6	419.0	445.8
MANUFACTURERS' INVENTORIES AND SALES (DEPT. OF COMMERCE) NEW SERIES— Month of October (millions of dollars):			
Inventories—			
Durables	$31,744	*$31,820	$30,232
Nondurables	22,328	*22,346	21,519
Total	$54,072	*$54,166	$51,751
Sales	28,040	*28,215	28,696
MONEY IN CIRCULATION—TREASURY DEPT. As of Oct. 31 (000's omitted)	$31,090,000	$31,073,000	$30,839,000
NEW YORK STOCK EXCHANGE— As of Nov. 30 (000's omitted):			
Member firms carrying margin accounts—			
Total customers' net debit balances	$2,559,177	$2,607,562	$2,816,837
Credit extended to customers	41,786	39,354	32,484
Cash on hand and in banks in U. S.	324,964	353,958	317,346
Total of customers' free credit balances	876,175	878,913	821,688
Market value of listed shares	200,919,287	196,674,919	211,411,899
Market value of listed bonds	102,487,208	99,014,578	99,382,421
Member borrowings on U. S. Govt. issues	90,967	104,906	60,064
Member borrowings on other collateral	1,770,570	1,847,500	2,211,196

Wentzel C. Du Plessis (right), Ambassador for the Union of South Africa to the U. S., signs agreement providing for the sale of $15,000,000 bond issue to be offered by an investment banking group headed by Dillon, Read & Co. Inc. Seated alongside is Mr. Kingman Douglass, Vice-President of Dillon, Reed.

SEC Amends Rules on Use of Prospectuses

The Securities and Exchange Commission announced Jan. 7 that it has adopted certain amendments to Rules 134 and 433 under the Securities Act of 1933.

The principal purpose of the amendments is to modify the legend required by paragraph (b)(1) of Rule 134 and paragraph (b) of Rule 433 to be included in all advertisements or preliminary prospectuses, as the case may be, so that the wording of such legend will be the same as that required by State securities administrators. The adoption by the Commission of the modified forms of legend makes it possible to use in such advertisements or preliminary prospectuses a legend which meets both Federal and State requirements.

Rule 134 Amendment

Paragraph (b)(1) of Rule 134 as amended reads as set forth below:

"(1) if the registration statement has not yet become effective, the following statement:

'A registration statement relating to these securities has been filed with the Securities and Exchange Commission but has not yet become effective. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This (communication) shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.'"

Change in Rule 433

Paragraph (b) of Rule 433 as amended reads as set forth below:

"(b) The outside front cover page of such form of prospectus shall bear, in red ink, the caption 'Preliminary Prospectus,' the date of its issuance, and the following statement printed in type as large as that used generally in the body of such prospectus:

'A registration statement relating to these securities has been filed with the Securities and Exchange Commission but has not yet become effective. Information contained herein is subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sales of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State'."

The Commission, according to Secretary Orval L. DuBois, finds that notice and procedure pursuant to the Administrative Procedure Act is not necessary with respect to the foregoing action since such action does not effect any substantial change in the rules as heretofore in effect:

The foregoing action is taken pursuant to the Securities Act of 1933, particularly sections 10 and 19(a) thereof, and shall become effective immediately upon publication, Jan. 10, 1958; provided that any communication published pursuant to Rule 134, or any preliminary prospectus used pursuant to Rule 433, in connection with a registration statement filed with the Commission prior to Feb. 10, 1958, need only comply with the applicable requirement of such rules as heretofore in effect.

DIVIDEND NOTICE

GOODALL RUBBER COMPANY

COMMON DIVIDEND

The Board of Directors has declared a quarterly dividend of $.125 per share on all Common Stock outstanding payable February 15, 1958 to stockholders of record at the close of business February 1, 1958.

January 16, 1958 — H. G. DUSCH, *Secretary & Treasurer*

C. M. Hathaway Adds

(Special to The Financial Chronicle)

DENVER, Colo. — Arthur R. Harvey has joined the staff of The C. M. Hathaway Company, 1575 Sherman.

Joins Geddes, Andrews

(Special to The Financial Chronicle)

GRAND JUNCTION, Colo. — Bert E. Hartman is now affiliated with Geddes, Andrews & Co., 201 North Fifth Street.

With A. M. Kidder Co.

(Special to The Financial Chronicle)

FT. LAUDERDALE, Fla.—Harry A. Isaacs, Jr. has become connected with A. M. Kidder & Co., Inc., 207 East Las Olas Boulevard.

With Jerry Thomas Co.

(Special to The Financial Chronicle)

PALM Beach, Fla. — Anthony Minos is now with Jerry Thomas & Co., Inc., 238 Royal Palm Way.

DIVIDEND NOTICES

ALUMINIUM LIMITED

DIVIDEND NOTICE

On January 15, 1958, a quarterly dividend of 22½¢ per share in U. S. currency was declared on the no par value shares of this company, payable March 5, 1958, to shareholders of record at the close of business February 4, 1958.

Montreal *January 15, 1958* — *JAMES A. DULLEA* *Secretary*

AMERICAN ENCAUSTIC TILING COMPANY, INC.

Manufacturers of Ceramic Wall and Floor Tile

COMMON STOCK DIVIDEND

Declared January 15, 1958
15 cents per share
Payable February 28, 1958
Record Date February 14, 1958

America's Oldest Name in Tile

ADAMS EXPRESS COMPANY

A CLOSED-END DIVERSIFIED INVESTMENT COMPANY LISTED ON THE NEW YORK STOCK EXCHANGE

Annual Report for 1957 will be mailed upon request

48 Wall Street
New York 5, N. Y.

With Earle C. May

(Special to The Financial Chronicle)

PORTLAND, Oreg.—Chester E. Ryder has become associated with Earle C. May, 811 Southwest Sixth Avenue. Mr. Ryder was formerly with Bosworth, Sullivan & Co. in Denver and in the past was with Merrill Lynch, Pierce, Fenner & Beane in Portland.

Walston Adds to Staff

(Special to The Financial Chronicle)

PORTLAND, Oreg.—Joseph H. Starr has been added to the staff of Walston & Co., Inc., 901 Southwest Washington Street.

Hutchins & Parkinson Add

(Special to The Financial Chronicle)

BOSTON, Mass.—John B. Coleman has been added to the staff of Hutchins & Parkinson, 27 State Street, members of the New York and Boston Stock Exchanges.

DIVIDEND NOTICES

The Singer Manufacturing Company

The Board of Directors has declared a quarterly dividend of fifty-five cents per share payable on March 13, 1958 to stockholders of record at the close of business on February 7, 1958.

D. H. ALEXANDER, Secretary

January 21, 1958

INTERNATIONAL HARVESTER COMPANY

The Directors of International Harvester Company have declared quarterly dividend No. 158 of one dollar and seventy-five cents ($1.75) per share on the preferred stock payable March 1, 1958, to stockholders of record at the close of business on February 5, 1958.

GERARD J. EGER, Secretary

COMMON STOCK DIVIDEND

The Board of Directors of Central and South West Corporation at its meeting held on January 16, 1958, declared a regular quarterly dividend of forty-two and one-half cents (42½¢) per share on the Corporation's Common Stock. This dividend is payable February 28, 1958, to stockholders of record January 31, 1958.

LeRoy J. Scheuerman, *Secretary*

CENTRAL AND SOUTH WEST CORPORATION
Wilmington, Delaware

GREEN BAY & WESTERN RAILROAD COMPANY

The Board of Directors has fixed and declared $50.00 the amount payable on Class "A" Debentures (Payment No. 62) and a dividend of $5.00 to be payable on the capital stock, and $15.00 to be the amount payable on Class "B" Debentures (Payment No. 39), out of net earnings for the year 1957, payable at Room No. 3400, No. 20 Exchange Place, New York 5, New York, on and after February 10, 1958. The dividend on the stock will be paid to stockholders of record at the close of business January 24, 1958.

Following the above payments, the Class "A" and Class "B" Debentures will be returned to the owners or agents who should then present them to City Bank Farmers Trust Company (Corporate Trust window), No. 2 Wall Street, New York City, New York, for exchange for similarly numbered Debentures in bearer form with coupons attached. Class "A" Debenture coupons will be numbered 83 to 110, inclusive, and Class "B" Debenture coupons will be numbered 40 to 87, inclusive.

Owners of Registered Debentures should present or mail their Debentures to Robert Winthrop & Company, 20 Exchange Place, New York City, New York, for transfer to bearer form. Those presented in person will be processed by Robert Winthrop & Company and should then be presented to City Bank Farmers Trust Company for exchange as stated above. Those received by mail will be processed by Robert Winthrop & Company, who will deliver them to City Bank Farmers Trust Company for exchange into coupon Debentures which City Bank Farmers Trust Company will mail directly to the presenters. Hereafter, the Class "A" and Class "B" Debentures will be issued only in bearer form.

W. W. COX, Secretary

New York, N. Y., January 6, 1958

Field With Peninsular

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla.—Louis B. Field has become associated with Peninsular Investments, 134 Beach Drive, North. Mr. Field was formerly a partner in Field & Teeters and was with Johnson E. Bell & Co. and Gerard R. Jobin Investments.

Merrill Lynch Adds

(Special to The Financial Chronicle)

LEXINGTON, Ky. — Thornton M. Helm is now with Merrill Lynch, Pierce, Fenner & Beane, La Fayette Hotel Building.

With McCormick & Co.

(Special to The Financial Chronicle)

CHICAGO, Ill.—Elmer L. Carlson has become connected with McCormick & Co., 231 South La Salle Street, members of the New York and Midwest Stock Exchanges.

DIVIDEND NOTICES

United States Pipe and Foundry Company

New York, N. Y., January 17, 1958

The Board of Directors this day declared a quarterly dividend of thirty cents (30¢) per share on the outstanding Common Stock of this Company, payable March 14, 1958, to stockholders of record on February 28, 1958.

The transfer books will remain open.

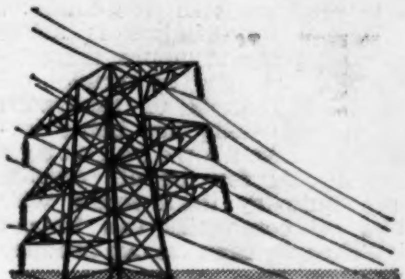
UNITED STATES PIPE AND FOUNDRY COMPANY
JOHN W. BRENNAN, *Secretary & Treasurer*

UNITED STATES LINES COMPANY

Common Stock *DIVIDEND*

The Board of Directors has authorized the payment of a dividend of fifty cents ($.50) per share payable March 7, 1958, to holders of Common Stock of record February 21, 1958.

WALTER E. FOX, *Secretary*
One Broadway, New York 4, N. Y.



Southern California Edison Company

DIVIDENDS

The Board of Directors has authorized the payment of the following quarterly dividends:

CUMULATIVE PREFERRED STOCK, 4.08% SERIES
Dividend No. 32
25½ cents per share;

CUMULATIVE PREFERRED STOCK, 4.24% SERIES
Dividend No. 9
26½ cents per share;

CUMULATIVE PREFERRED STOCK, 4.88% SERIES
Dividend No. 41
30½ cents per share.

The above dividends are payable February 28, 1958, to stockholders of record February 5. *Checks will be mailed from the Company's office in Los Angeles, February 28.*

P. C. HALE, *Treasurer*

January 16, 1958

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—There is an important economics story behind a perfunctory release issued a few days ago through the Department of Interior that went almost unnoticed. The "handout" was made under the name of Captain Matthew V. Carson, Jr., the Eisenhower Administration's Administrator of the voluntary oil import program.

The statement said a refining company was landing Venezuelan crude oil at a Gulf port, but the company had never made application to the Administrator for an important allocation under the procedures set forth by the President's special committee to investigate crude imports.

If crude oil continues to be landed in this country without a government-approved import allocation, the company would have to share the responsibility which might tend to impair the adequacy of a program designed to enable the domestic oil industry to meet the requirements placed upon it by consideration of national security, declared the Administrator. Captain Carson did not say what the Administration would do, if anything, if the company (Delta Refining Company, a subsidiary of Southland Oil Company) continued to import oil without an allocation.

Cheaper to Import

But the ramifications involving those immediate imports and other oil imports has the White House, many members of Congress and the petroleum industry worried. The hard, cold facts are this country can import crude oil cheaper than we can produce it in this country.

The United States is using for all purposes more than 7,000,000 barrels of crude oil daily. Hundreds of thousands of barrels daily are being imported. From a percentage standpoint few people outside the industry itself know why the oil companies can import oil cheaper than we can produce it ourselves.

There are several reasons. One is because the companies do not have to pay income taxes on the foreign produced oil. The tax item alone is sizable. Another reason is the fact that most of the foreign oil is produced, as an example, from some 8,000 feet, whereas, production in the United States is from 16,000 feet, more or less. Obviously, the deeper the drilling the more expensive it is to produce the crude oil.

Unlike the oil and natural gas conservation laws that are now strictly enforced in major oil States like Texas, Louisiana, California, Oklahoma and others, the foreign production usually flows from wells that are not affected by daily allowable orders. A well in Texas might be curbed to 100 barrels a day while production from a much shallower well in Venezuela may be opened up to 700 or 800 barrels a day, depending on location and circumstances.

Independents Up in Arms

Because of these circumstances many independent oil producers are screaming over the imports, because their production has been curtailed by the daily allowables set monthly by the regulatory bodies of the various states. Congressional sources contend that stockholders of one of the large oil companies in this country have "mopped up" in the past few years because it is one of the biggest crude oil importers. Because the company buys crude cheaper than it pays for domestic crude, the refining company has been able to chalk up larger profits on the imported oil.

The oil imports could, along with other factors, jeopardize extension of the foreign trade program. President Eisenhower in his recent State-Of-The-Union Message asked Congress to extend the trade program for five years.

Lead and Zinc Industry, Too

On another front, the foreign production of lead and zinc has crippled the domestic lead and zinc production in this country. Domestic lead and zinc miners have received most strong blows as a result of sharp curtailment of United States production. On the other hand, mining in Canada, Mexico, Peru, Australia and South Africa has expanded. American lead and zinc miners have an application pending before the United States Tariff Commission to increase the duties on imported lead and zinc.

The United States consumes about one-half of the total world lead production and about one-third of the total world zinc production. Just about one-third of the lead consumed in this country is devoted to storage batteries, while about 16% goes into gasoline. The largest single use of zinc is devoted to galvanizing, and the second largest use is for die casting primarily for automotive radiator grilles.

Interior Secretary Fred A. Seaton in 1956 suggested to Congress that the law-makers levy excise taxes on lead and zinc to discourage foreign production and at the same time stabilize domestic prices and production. Members of the House and Senate from the Western States will make a concerted effort to have the imports curbed.

The Alaska and Hawaii statehood bills will come up for consideration again at this session, but apparently neither has a chance of being admitted to the union at this session.

Members of the House Ways and Means Committee, where all tax legislation must originate, say "you can put it in your pipe and smoke it", that income taxes, excise taxes and corporation taxes will be continued by Congress this year at their present rates.

Prospective Legislation

Some of the legislative proposals of great interest to the country that have a good chance of passage at this session include:

Raising the postal rates, abolishing the postal savings system, broadening the minimum wage law to bring more people under its provisions, revising the farm price support program, ending the acreage reserve program this year, enacting another housing bill, extending the reciprocal trade program for about three years; tightening certain labor laws, and providing that financial reports of the unions be made public.

There are many other important bills, including one that would free natural gas producers from Federal controls. The fate of this bill is in doubt, as are dozens of other important pending proposals.

Another RFC?

Some time ago a qualified observer privately predicted that the Small Business Administration eventually will become as big as the Reconstruction Finance Corporation.

President Eisenhower in his economic report to Congress advocated that the limitation on the life of the Small Business Administration be removed, and that an increase in authorization be given the agency for making business and disaster loans. Thus, the President gave that agency a boost for not only extending its life, but for broadening its lending powers.

Aircraft and Missiles

The aircraft industries had a peak employment of about 910,000 during the past year. Stretchouts, cutbacks and cancellations of orders, however, started a sharp downward trend. If current conditions maintain, industry payrolls will be reduced by perhaps 100,000.

Of 43 missiles now in development or production for the military services, aircraft industry companies hold the prime contracts for most of them and are building one or more of the key elements for all 43.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

BUSINESS BUZZ

"Our guest speaker really needs no introduction—so I'll just say a few words about myself—"

Business Man's Bookshelf

British Government Publications, November, 1957—British Information Services, 45 Rockefeller Plaza, New York 20, N. Y. (paper).

Business Mathematics, Fourth Edition—**Cleon C.** Richtmeyer and Judson W. Foust — McGraw-Hill Book Company, Inc., 330 West 42nd Street, New York 36, N. Y., $5.75.

Business Without Boundary—James Gray — University of Minnesota Press, Minneapolis 14, Minn., $4.75.

Change and Challenge in the Labor Force — An address (with charts) by Secretary of Labor James P. Mitchell—U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Ave., Rm. 1025, New York 1, N. Y. (on request).

Construction Outlook for 1958 — U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue, Room 1025, New York 1, N. Y. (on request).

Federal Lending and Loan Insurance—R. J. Saulnier, Harold G. Halcrow and Neil H. Jacoby—Princeton University Press, Princeton, N. J. (cloth), $12.00.

Ford Foundation—Annual Report for 1957—Ford Foundation, 477 Madison Avenue, New York 22, N. Y. (paper).

Growth of Life Insurance in the State of Arkansas, 1940-1956—Institute of Life Insurance, 488 Madison Avenue, New York 22, N. Y. (paper).

Growth of Life Insurance in the State of Ohio 1940-1956—Institute of Life Insurance, 488 Madison Avenue, New York 22, N. Y. (paper).

International Marketing — Semimonthly magazine in French, specializing in the study of marketing problems and modern methods of publicity, sales promotion and distribution — d'International Marketing, 47, Rue Blanche, Paris 9, France, 18,700 francs per year.

Journal of Political Economy December 1957 (containing articles on "Providing for the Growth of the Money Supply," "Price-setting Problems in the Polish Economy," "Some Evidence on the International Price Mechanism," "Economic Problems of Alliance," etc. — University of Chicago Press, Chicago, Ill. (paper), $6.00 per year.

Letter Writing and Internal Communications — Pennsylvania Bankers Association, Box 152, Harrisburg, Pa. (paper), $1.00.

Location and Arrangement of Magnetic Ink Characters for the Common Machine Language on Checks — Bank Management Commission, American Bankers Association, 12 East 36th Street, New York 16, N. Y. (paper).

Long-Term Corporate Bond Experience—Review of the Findings from the "Corporation Bond Quality and Investor Experience," report of the National Bureau of Economic Research —American Bankers Association, 12 East 36th Street, New York 16, N. Y. (paper).

NRB Manual of Successful Business Letter Writing — National Research Bureau, Inc., 415 North Dearborn, Chicago 10, Ill. $15.95.

New Directions in Packaging — Recent developments in corrugated and solid fibre packaging —Fibre Box Association, 224 South Michigan Avenue, Chicago 4, Ill. (paper).

Outlook for Housing, Housefurnishings and Equipment in 1958—U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, N. Y. (on request).

Techniques and Procedures in Labor Arbitration—a Bibliography —"Selected References," Industrial Relations Section, Princeton University, Princeton, N. J. (paper), 30c.

Wages and the Public Interest—Conference on Economic Progress, 1001 Connecticut Avenue, N. W., Washington 6, D. C. (paper), 50c (quantity prices on request).

Winter Navigation on the St. Lawrence Up to Quebec City—Recent Developments — Trade and Industrial Bureau of Greater Quebec, Inc., 100 Place d'Youville, Quebec, Que., Canada (paper).